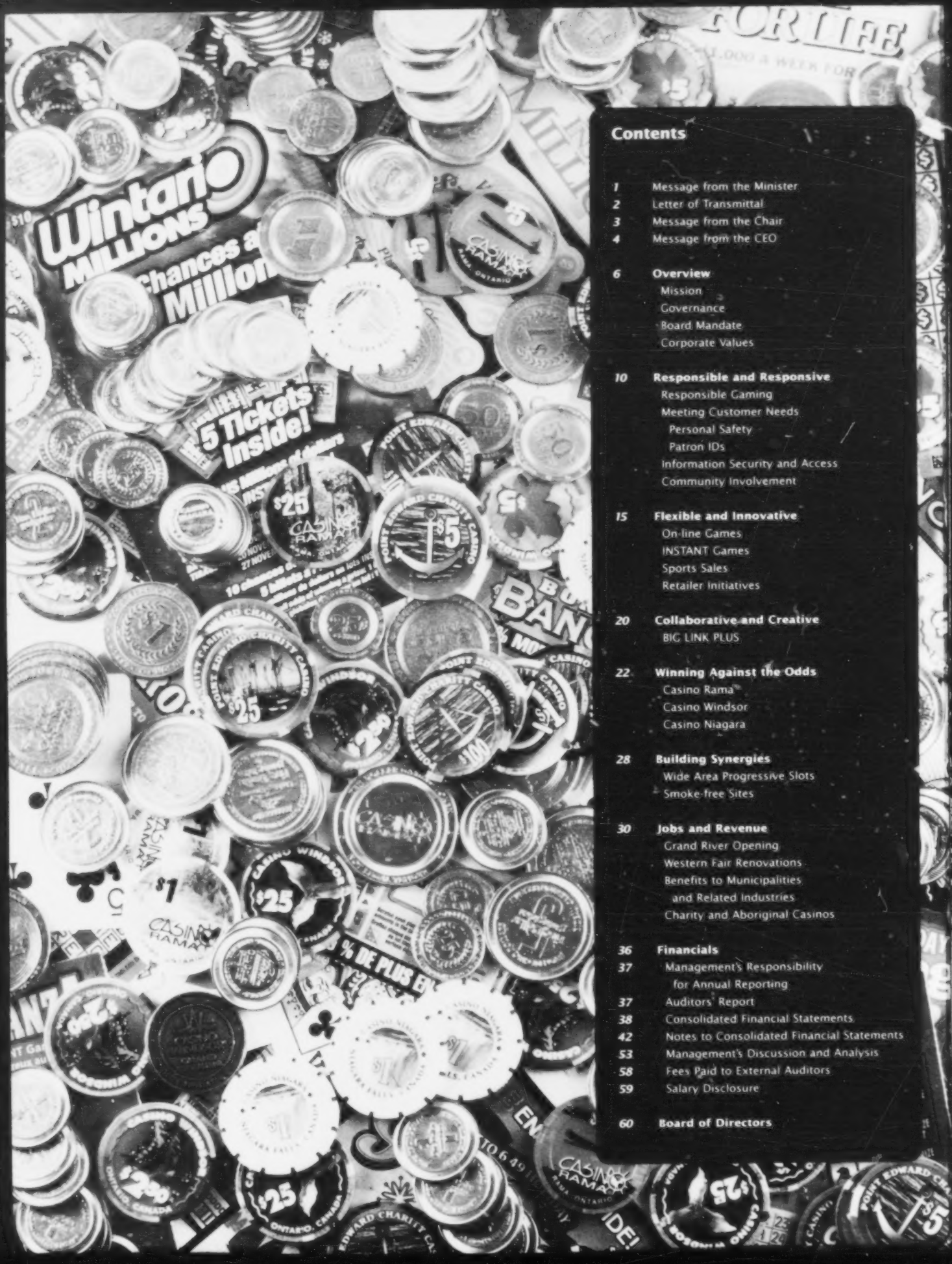
Ontario Lottery and Gaming Corporation

Société des loteries et des jeux de l'Ontario

Annual Report

2003 - 2004



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Message from the Minister

Ontario

As Minister of Economic Development and Trade, responsible for the Ontario Lottery and Gaming Corporation (OLGC), I am pleased to present OLGC's 2003/2004 annual report. This year the gaming industry continues to provide benefits for all Ontarians, contributing to a stronger province.

The income generated by OLGC supports provincial priorities such as healthcare and education. In addition, more than 20,000 jobs in Ontario are directly related to the gaming industry, with thousands more spin-off jobs in the tourism and hospitality sectors.

Responsible gaming is a personal priority for me and a commitment for my ministry and our government. Ontario already has among the best funded problem-gambling programs in North America. We're looking at best practices in other jurisdictions and applying those lessons at home. We are working to ensure that Ontario has the most responsible gaming possible.

Looking ahead, the government will continue to work closely with OLGC to build a long-term future for the province's gaming industry that is responsible, sustainable and best meets the needs of all Ontarians.

Ontario Lottery and Gaming Corporation

Société des loteries et des jeux de l'Ontario

September 2004

The Honourable Joseph Cordiano
Minister of Economic Development and Trade
Hearst Block, 900 Bay Street
Toronto, Ontario M7A 2E1

Dear Minister:

On behalf of the Board of Directors, I am pleased to submit to you the Annual Report of the Ontario Lottery and Gaming Corporation for the fiscal year ended March 31, 2004.

Yours very truly,

Message from the Chair

This has been a year marked by changes in leadership, marketing challenges, solid financial results and a renewed, unequivocal commitment to integrity in all aspects of our activities at the Ontario Lottery and Gaming Corporation (OLGC).

I thank the Government for its confidence in appointing me as the non-executive Chair of the Board of Directors of OLGC. It is a professional privilege to be working with our Minister, the Honourable Joseph Cordiano, in the context of public policy. I welcome the exceptional selection of Duncan Brown as our Chief Executive Officer as we carry out an assessment of the future of the industry in Ontario.

Our mission is one of entertainment excellence and service to Ontario's citizens: to be the provider of trusted, innovative, attractive, controlled and socially responsible gaming in North America. While achieving this mission, the profits of $1.9 billion in 2003/2004 were used by the Ontario Government to support services such as the operation of hospitals, problem-gambling prevention, research and treatment and to fund charitable organizations throughout the province by the Ontario Trillium Foundation.

OLGC faced two significant setbacks during this 2003/2004 fiscal year while still achieving a substantial financial return for the province. A province-wide power blackout in August 2003 led to the decision to close our gaming sites for over six days in order to assist the Government in avoiding further blackouts or brownouts during the recovery of full electrical service throughout the province. The effects of the earlier SARS outbreak also had a major impact – keeping many away from our gaming establishments, including our American customers.

These events reduced revenues at casinos and slots-at-racetrack operations. Given such conditions, we are especially proud of our employees who continued to act with professionalism, providing the highest level of customer service to players. I congratulate OLGC management and staff for their dedication and hard work during this very challenging year. Their strength, support and positive interactions with millions of customers to create a fun experience have made OLGC the international success story that it is today.

The Board of Directors continues its assessment of its corporate governance policies and practices. Together with our external auditors and management, we completed a revision of the terms of reference of the Audit and Risk Management Committee in the context of the current debate concerning publicly traded companies.

As we move forward to enhance the quality of our customers' entertainment experience, the complex issues relating to problem gambling will be a core priority of the Board of Directors. Our goal is to be a leader in North America in providing responsible gambling. This will include innovative programs to create increased awareness among our customers of their responsibilities as well as providing our employees with the training and tools they must have to effectively implement our initiatives.

We end this fiscal year with a commitment to the people of Ontario to improve our products and assess our operations and markets in order to have an exciting foundation for gaming entertainment in Ontario.

Message from the CEO

This year, OLGC faced a number of significant challenges that threatened our ability to reach revenue targets. In August 2003 Ontario came to a grinding halt with a power crisis that shut down our gaming operations for several days in order to conserve power. Gaming sites also withstood lingering effects from the SARS crisis and the Iraq war. The strong Canadian dollar has continued to have an impact, as has the introduction of non-smoking by-laws in many of our host communities.

At the end of this year of unprecedented challenges, OLGC is fully prepared to embark on a four-year business plan that focuses on operational excellence. The plan identifies corporate priorities that, when implemented, will assist in maximizing efficiencies and optimizing profits for the government and people of Ontario.

Despite its challenges, fiscal year 2003/2004 was highlighted by many accomplishments.

OLGC's commitment to its lottery retailers was reinforced with the completion of a major initiative. Early in the year, a successful in-field testing of state-of-the-art lottery terminals permitted a full roll-out of the machines to a province-wide network of more than 8,000 on-line lottery retailers. Valued at $89 million, the purchase and installation of these terminals represent a significant investment in the future of lotteries in Ontario. The replacement of the 12-year-old Spectra terminals has resulted in faster and more reliable service for our players and retailers and improved communication capabilities. Our lottery retailers also enjoyed a facelift with the rollout of new merchandisers and signage as part of a new concept for in-store design.

This spring in response to players, who clearly told us that they want bigger jackpots more often, the Interprovincial Lottery Corporation (ILC) announced major changes to its flagship game, LOTTO 6/49. ILC represents all of Canada's government-run lottery corporations including OLGC and is responsible for managing national games. The changes came into effect early in the following fiscal year but were announced in 2003/2004 due in part to the impact on the LOTTO 6/49 subscription program.

And it was "lights, camera, action!" as OLGC draws returned to television with the launch of *Ontario Lottery Tonight*, a 90-second show produced by CHUM Television that features twice weekly LOTTO 6/49 draws and weekly LOTTO SUPER 7 draws. The first show aired April 2, 2003 and now regularly attracts close to half a million viewers across the province each week.

The search was on in Ontario for the winner of the largest lottery prize in Canadian history. Despite major efforts to locate the winner, the $30-million LOTTO SUPER 7 prize went unclaimed for more than 11 months. The record size of the prize and the delay in the winner coming forward generated unprecedented media attention across Canada.

In our Direct Gaming division, OLGC unveiled an additional customer service plan – introducing photo identification cards for gaming patrons 36 years of age and older who do not have the government-issued photo identification that is required for some transactions.

Also, in keeping with its original commitment to the horse-racing industry, on December 4, 2003 in Elora, OLGC celebrated the opening of Slots at Grand River Raceway – Ontario's 16th such gaming facility. The Grand River Raceway gaming floor features 200 slot machines in a facility decorated to reflect the heritage of the local area.

Major renovations were completed at Slots at Western Fair Raceway this year. Patrons now enjoy an updated gaming floor that houses 750 slot machines as well as a 200-seat, full-service restaurant.

A linked slot machine system, MEGA BUCKS, was introduced at all charity casinos – augmenting units already available at Ontario's commercial casinos. MEGA BUCKS jackpots have reached as high as $4.5 million.

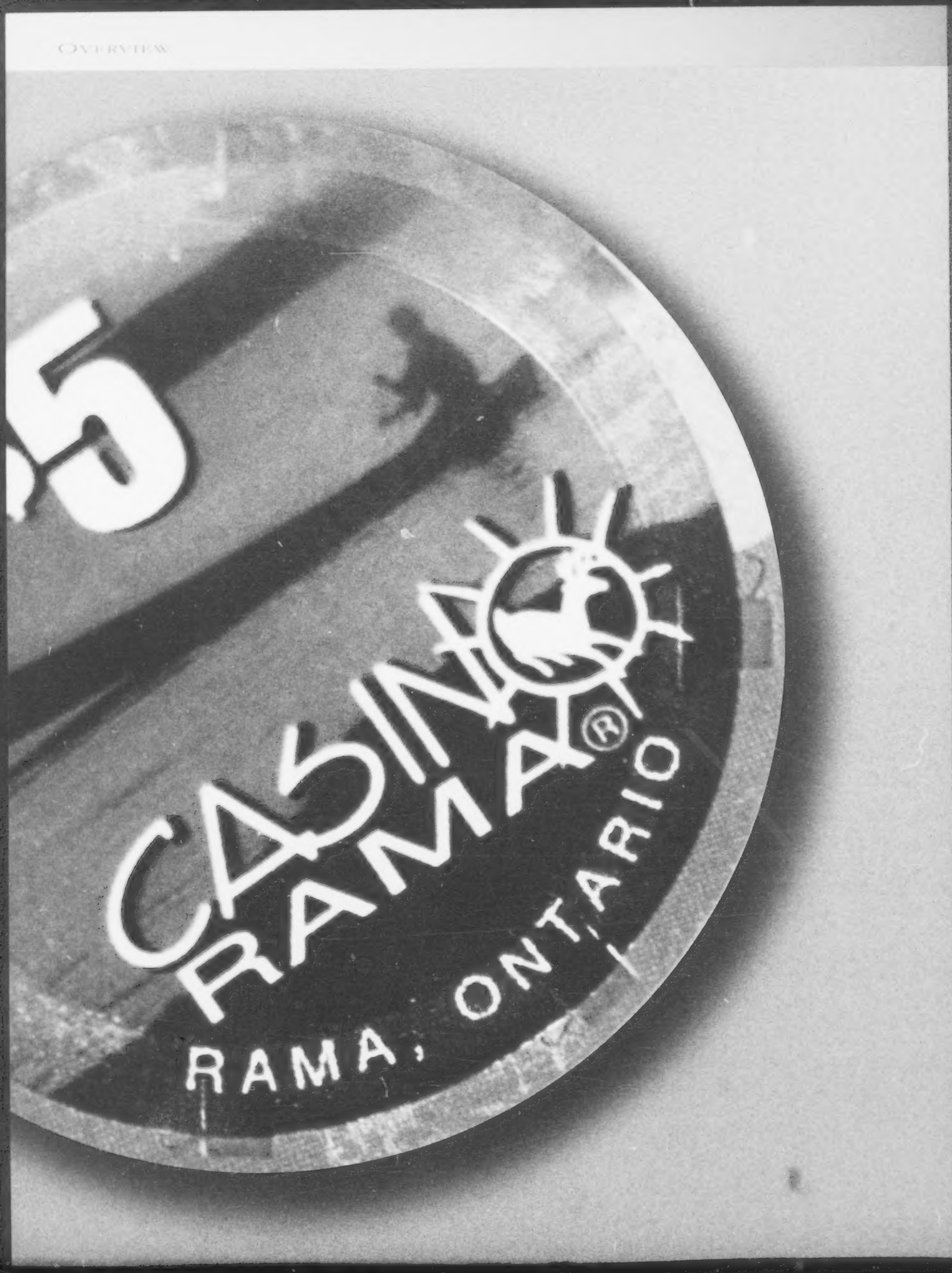
On May 1, 2003, Casino Windsor bade farewell to its long-time President and CEO Bobby Yee, who left to pursue other opportunities with Caesar's Entertainment, a Windsor Casino Ltd. shareholder. Kevin Laforet, a Windsor native who has held several executive positions including Chief Operating Officer since joining Casino Windsor's team in February 1994, has taken up the leadership role.

Excitement is in the air in Niagara as we approach the summer opening of the Niagara Fallsview Casino Resort overlooking the magnificent Horseshoe Falls. Most of the work on this major development was completed over the past year. The Ontario government also announced that the interim Casino Niagara would continue to operate after the opening of the new casino.

Fiscal 2003/2004 was a year of steady progress in the development of our Responsible Gaming Program. We introduced a new responsible gaming message, "Know your limit, play within it," and included the new messaging on all OLGC advertisements as well as on slot machines and bank machines located on the gaming floor.

Responsible gaming is a priority in our plans for the coming year. We are also committed to identifying operational efficiencies that will help us achieve our mandate of optimizing net economic benefits for the province while maintaining a focus on customer service within a socially responsible environment.

Before closing, I want to offer thanks to Chief Operating Officer Brian Wood, who served as Acting Chief Executive Officer before my appointment in March 2004. Brian was instrumental in ensuring that OLGC remained focused on achieving its financial obligations during a very challenging period.


CASINO RAMA®
RAMA, ONTARIO

OVERVIEW

OLGC directly employs approximately 8,400 people across Ontario. The Corporation is responsible for 25 gaming sites, as well as the sale of lottery products at approximately 10,500 retail locations. This operational enterprise created by the Government of Ontario is intended to provide gaming entertainment in an efficient and socially responsible way that maximizes net economic benefits for the people of Ontario. Related economic sectors and host communities benefit directly from gaming revenues.

The *Ontario Lottery and Gaming Corporation Act, 1999* requires that net revenue from lotteries, charity casinos and slots at racetracks be made available for various purposes including the provision of health care and the promotion and development of physical fitness, sport, recreation and cultural activities throughout the province. Revenues totalling $100 million are also made available to the Ontario Trillium Foundation for distribution to charitable and non-profit organizations every year.

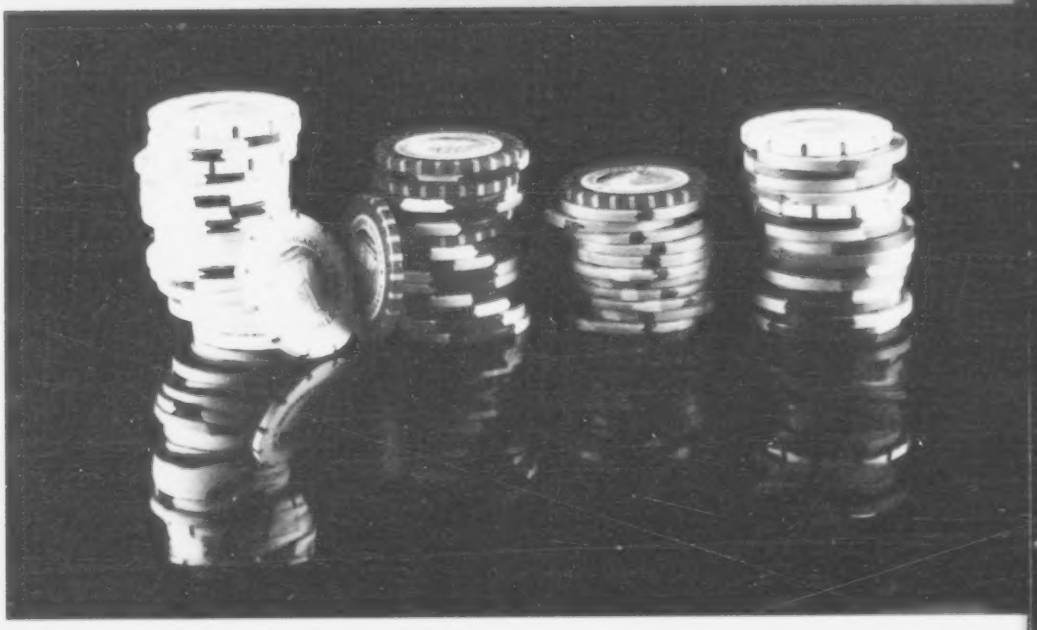
Mission

In a competitive entertainment industry, we are a quality provider of attractive, controlled gaming, engaging our employees and related organizations in serving Ontario's citizens and tourists in a socially responsible manner, creating profits for charities and government projects, in accordance with government policy and direction.

Governance

The legislative authority of the Corporation is set out in the *Ontario Lottery and Gaming Corporation Act, 1999*. Classified as an Operational Enterprise Agency, OLGC has a single shareholder, the Government of Ontario, and reports through its Board of Directors to the Minister of Economic Development and Trade.

Members of the Board of Directors and its Chair are appointed by the Lieutenant Governor in Council from various communities across the Province of Ontario.



Board Mandate

The Board of Directors sets policy for the Corporation and counsels the Chief Executive Officer and senior executives, who oversee the Corporation's business operations. The Board's mandate is to direct the Corporation's management with a view to optimizing the overall performance and increasing shareholder value in executing its various responsibilities:

- to establish a well-defined strategic planning process, setting strategic direction
- to approve the annual business plan as well as operating and capital budgets
- to define and assess business risks
- to review the effectiveness of internal controls in managing risks
- to appraise the performance of the Chief Executive Officer
- to oversee a code of conduct that ensures the highest standards in dealing with customers, suppliers and staff with due regard to ethical values and the interests of the community-at-large in all corporate endeavours
- to track overall performance of the Corporation
- to remain informed and provide input as required concerning communications with the Government of Ontario and other stakeholders
- to ensure compliance with key policies, laws and regulations.

Board Committees

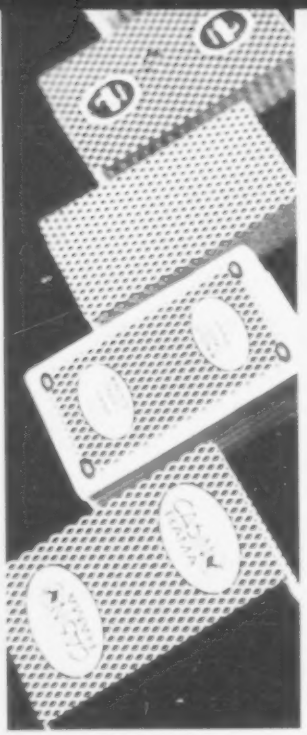
The Board of OLGC operates with and through three permanent working committees.

Governance Committee

The Governance Committee assists the Board in developing and monitoring governance policies and practices. This committee helps identify policy areas for review and presents recommendations to the Board for consideration in order that the Board may ensure the Corporation's adherence to the highest standards in corporate governance.

Audit and Risk Management Committee

The primary function of the Audit and Risk Management Committee is to assist the Board in



fulfilling its oversight responsibilities by reviewing and monitoring the Corporation's financial statements, internal controls over financial reporting, capital expenditure program and risk management program as well as legal and ethical compliance systems that have been established.

Human Resources and Compensation Committee

The Human Resources and Compensation Committee assists in ensuring that the Corporation has sufficient organizational strength at the senior management level to achieve its short- and long-term goals. This committee also recommends, for Board approval, the compensation and benefit plans for senior management.

Corporate Values

The Corporation's values guide employees in their work with customers and stakeholders. In all we do, we are asked to realize these ideals and reflect the following clearly identified values:

- *Respect:* treat each other, our customers and our stakeholders with respect and dignity, recognizing the contributions of each person
- *Openness:* actively share ideas and information within the bounds of appropriate confidentiality
- *Integrity:* conduct our business in an ethical, fair and honest manner
- *Positive Work Environment:* foster a dynamic, flexible work environment, enabling all employees to develop and make a full contribution
- *Public Responsibility:* deliver gaming entertainment to maximize economic benefits in a socially responsible manner
- *Customer Service Excellence:* focus on our customers, providing value, fun and entertainment, anticipating and responding to client needs
- *Initiative:* innovate and champion disciplined, continuous improvement
- *Judgment and Professionalism:* ensure that decisions and actions are timely, informed and aligned with corporate objectives.

The Ontario Problem Gambling Helpline

1 888 230-3505

RESPONSIBLE and RESPONSIVE

OLGC occupies a complex position within the highly competitive world of gaming entertainment. Along with the responsibility for generating an excellent return on investment for the people of Ontario, OLGC is held to a higher standard of corporate citizenship than profits alone might dictate. The Corporation's success is built on its ability to consider and serve the needs of its customers, the communities in which it operates and its business associates.

In delivering the best possible entertainment product in a socially responsible manner, OLGC staff and associates have learned the fine art of listening.

Customer service and community responsibility create the foundation for each success. Whether it is the flexibility and synergies represented by organizational change, the efficiencies of technological advances or product-development concepts gleaned from customer surveys, OLGC has shown the flexibility and responsiveness required to weather many challenges and continues to be an industry leader.

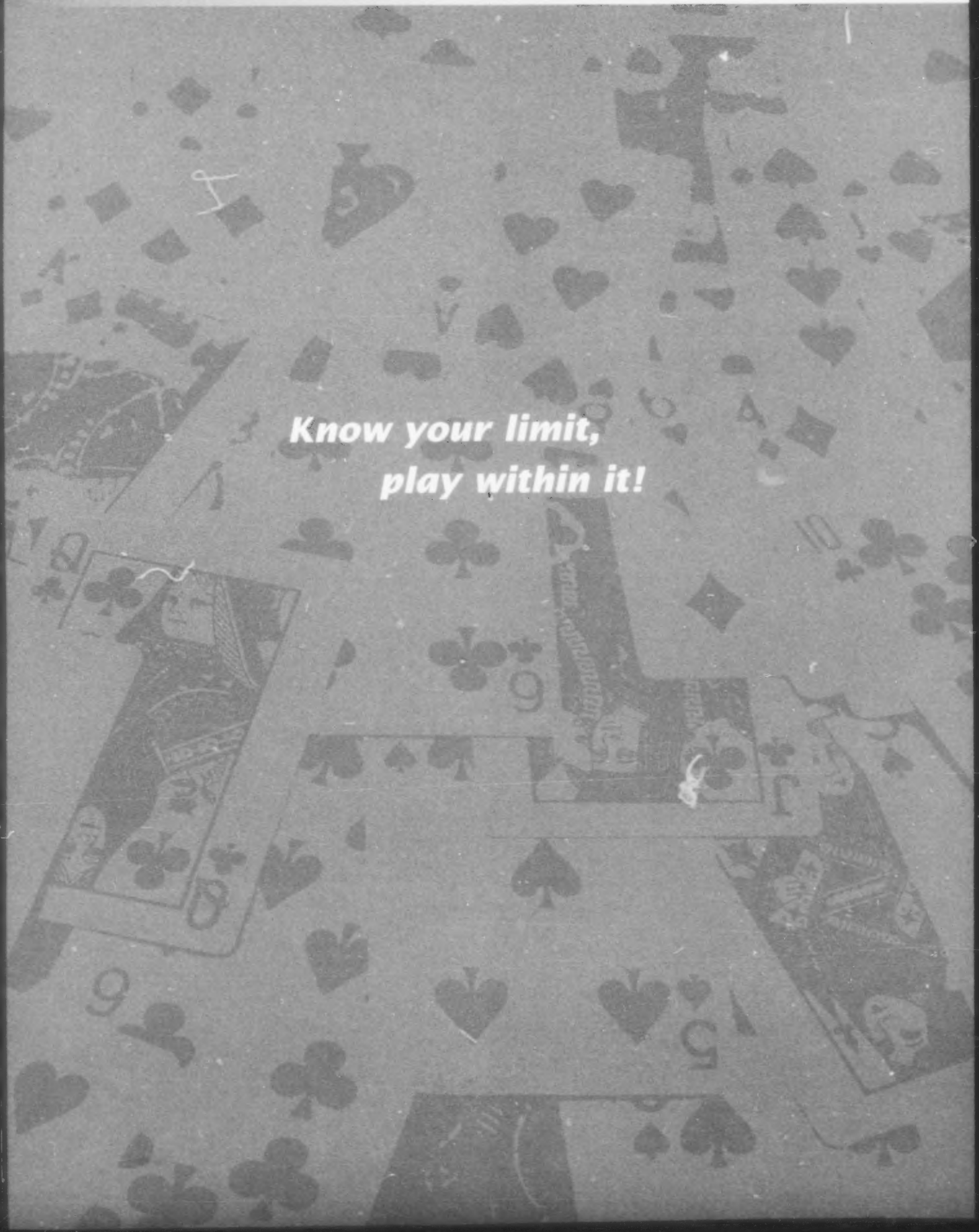
Responsible Gaming

In summer 2003, OLGC launched a new responsible gaming message "Know your limit, play within it!"

The message – directed to all lottery and gaming customers – encourages players to set, remember and play within personal spending limits. Paired with the Ontario Problem Gambling Helpline telephone number, this message offers a consistent reminder to customers of the need to play responsibly and to recognize if they are approaching their limit, and of how to get help if they have a problem with gambling.

OLGC actively supports responsible gaming programs across all areas of business. In October 2003, the Corporation established a Responsible Gaming Steering Committee to develop and champion a Responsible Gaming Strategy. In affirmation of the Corporation's commitment at the most senior levels, this committee includes senior executives from OLGC and the CEO of the Responsible Gambling Council (RGC).

The steering committee has met with or sought input from internal and external stakeholders,


Know your limit,
play within it!

including those from other gaming jurisdictions, for advice and experience. In developing a framework for a comprehensive Responsible Gaming Strategy, the committee also considers existing research and advice from past consultations. OLGC also continues to work closely with the Ministry of Health and Long-Term Care in order to incorporate expertise developed within the province and co-operates with the Ontario Problem Gambling Research Centre to facilitate government-funded research at Ontario gaming sites.

In September 2003, OLGC provided financial and logistical support to RGC's annual Responsible Gambling Conference, which attracts top experts in the study of problem gambling. The Corporation also supported RGC's Responsible Gambling Awareness Week – a pilot program – that took place in Thunder Bay, Windsor, Sault Ste. Marie, the Niagara area and Ottawa during January and February 2004.

Meeting Customer Needs

Personal Safety

OLGC's defibrillation program operates in nearly 30 gaming sites and administrative offices. There are two Automatic External Defibrillators at each of OLGC's 21 charity-casino and slots-at-racetrack sites and one at each of eight corporate locations.

The program boasts a survival rate of up to 72 per cent for ventricular fibrillation and 44 per cent overall from all identified causes of sudden cardiac arrest. The normal resuscitation rate outside of a hospital is five per cent.

"Our 400 EMR-trained security personnel and their readiness to serve are the backbone of this program," said Robin Souchuk, OLGC's Emergency Medical Response Program Manager. "Millions of people visit our gaming sites each year and these programs are needed wherever large numbers of people gather."

Upon receiving a recent award, OLGC commended Medical Director Dr. Edward Wasser, CEO of Medevaq Consulting Inc., for his role in the development and ongoing operation of the OLGC's early defibrillation program. Dr. Wasser reciprocated with praise of his own. "Of the many organizations I have worked with, OLGC made a unique commitment to this program. They moved very quickly to conduct the training and purchase the equipment necessary for this vital service."

Patron IDs

In accordance with federal and provincial legislation, patrons must produce valid government-issued photo identification to show proof of age in order to:

- claim a jackpot of $10,000 or more
- obtain a player's loyalty program card.

Unfortunately, some OLGC customers – many of them seniors – do not have government-issued photo identification and without it, they are unable to conduct these transactions.

To address this customer-service need, this fiscal year OLGC developed a photo-identification program that would provide patrons with valid photo ID. (The first patron ID cards were issued in April 2004.)

This service means patrons who are 36 years or over are able to produce an acceptable form of identification without paying for a passport. (Patrons 19 to 36 can use LCBO's "BYID" card for a minimal $15 cost.)

The OLGC Patron Identification Card

- is a solid plastic card resistant to tampering and
- bears the cardholder's name, photograph, birth date, a serial or database number and an expiry date.

The application process for this card is similar to that for a passport, including the requirement for a guarantor. The ID card is issued only for the purposes of gaming in Ontario.

As of April 1, 2004, application forms were available at slots at racetracks and charity casinos. The program could be extended in future to commercial casinos and Great Blue Heron Charity Casino.

Information Security and Access

Listening to our customers is vital to excellent service, but it is not enough. We must also be able to protect and effectively access what we are learning from clients and each other. This year, Information Technology (IT) undertook significant measures to improve access to the information systems used by staff and customers and to ensure the integrity and back-up of the information

systems that drive our business.

The constant evolution and improvement of information technology systems is essential in today's gaming industry and our IT department plays an important role in the success of all product lines. This year's highlights and significant accomplishments included improvements to on-line lottery systems for players and retailers, extension of the highly successful progressive slots systems and the successful patenting of BIG LINK BINGO's real-time bingo gaming system.

CasinoLink

CasinoLink – the gaming management system that drives slot machines at all racetrack and charity casinos in Ontario – is a significant example of IT's accomplishments.

Acknowledging the necessity for an alternate site during renovations at the Lesmill Data Centre, IT created a fully operational CasinoLink system in Sault Ste. Marie. Now the CasinoLink system can be run out of either the Sault Ste. Marie or Lesmill location. The switchover and disaster recovery capability represented by this initiative places OLGC in a leading position among casino operations worldwide.

OLGC.ca

Since all web sites were combined under the single www.OLGC.ca address at the end of last fiscal year, OLGC has enjoyed a significant increase in site visits. Winning lottery numbers are a consistently high draw for the site, but traffic on other individual pages has increased as visitors browse to learn more about OLGC products, policies and services.

Toll-free U WIN Line

In March 2004, OLGC's Contact Centre launched a new toll-free telephone number that enables callers from outside the Greater Toronto Area (GTA) to access recorded winning numbers directly, instead of through the Interactive Voice Response system on the existing toll-free line. The change was sparked by increasingly heavy use. The new number, 1-866-891-UWIN, provides over one million lottery players improved access to the information they want while freeing access for other callers. The number continues the "U WIN" theme of OLGC's local Toronto WIN!Line number, which provides the same service in the GTA.

Community Involvement

OLGC has long enjoyed a strong culture of community involvement. This year, corporate employees were justly proud of a tremendously successful Federated Health Campaign, which raised more than $116,000. A little friendly competition between divisions seemed to raise the stakes and we all came out winners! The money raised will be used to promote wellness, fund research and assist those in need through 15 Ontario-based health charities.

Special notice should also be given to the Sault Ste. Marie office, which raised $45,000 in its 2003 United Way Campaign – once again exceeding the projected target and winning the Chair's Award of Merit for outstanding employee participation, leadership, spirit and contributions.

FLEXIBLE and INNOVATIVE

Up to the minute technology delivered more chances to win and more options to lottery players. Exciting changes and additions were made to favourite games and products. Imaginative promotions got the word out.

FLEXIBLE and INNOVATIVE

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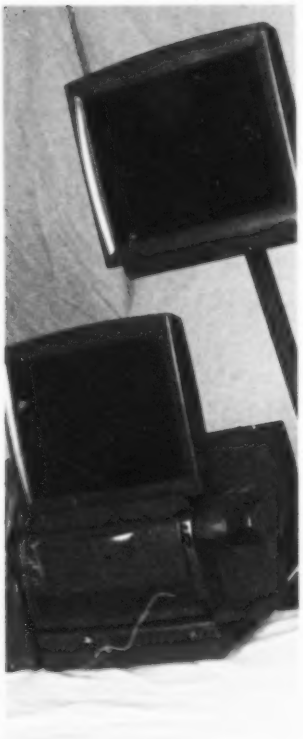


Ex-M terminals

On-line Games

Ontario Lottery Tonight

OLGC draws returned to television this year with the launch of *Ontario Lottery Tonight* on April 2, 2003. The 90-second show is produced by CHUM Television and features twice weekly LOTTO 6/49 draws and weekly LOTTO SUPER 7 draws. The show regularly attracts close to half a million viewers across the province each week.

In July, *Ontario Lottery Tonight* introduced the Ask Amanda feature to the show. Twice monthly, host Amanda Martinez answers lottery-related questions. Viewers are invited to forward their suggestions for the segment by e-mail to askamanda@OLGC.ca. More than 500 submissions were received since the launch of Ask Amanda.

Ex-M Terminals

The roll-out of new Ex-M lottery terminals in retail locations across the province began in October 2003 with 150 installed at new retail locations and ended six months later in April 2004. By the end of October, Ex-Ms began replacing Spectras at the rate of about 500 a week. By fiscal year end, almost 7,800 terminals had been replaced while the total number of retailers with this new state of the art equipment increased to 8,400. The last Spectra terminal was disconnected on April 8, 2004.

OLGC sales force and Contact Centre employees made the transition an exceptionally smooth one with no downtime attributed to the Ex-M rollout. Comprehensive testing and consultations as well as extensive training for over 11,530 retailers in more than 430 sessions in 36 locations across the province helped to ensure success. Contact Centre staff quickly mastered the system and continue to stay on top of all changes, providing a very high level of service to any retailers who call with Ex-M questions.

The Ex-M terminals enhance the retail-gaming experience. Consumer monitors feature full colour, full motion video, audio/video winner notification and promotional information including upcoming jackpot amounts.

Super Seven Heroes

OLGC's LOTTO SUPER 7 game has led the pack this year as OLGC's share of the national market within the Interprovincial Lottery Corporation climbed as

high as 49.9 per cent of national sales!

LOTTO SUPER 7 owes its increasing popularity to large jackpots, news coverage and a high-profile and imaginative advertising campaign, which kicked off in December, aimed at differentiating the LOTTO SUPER 7 product from other on-line products. The campaign featured seven superhero characters as tongue-in-cheek personifications of ways that winning players might enjoy their prizes.

The Super Seven Heroes appeared in television, radio and newspaper advertising; on OLGC's web site and Ex-M customer display monitors at retail outlets; and were even the subject of a newspaper contest.

During a three-day promotion in Toronto, Super Seven Heroes were enthusiastically received in various public appearances.

LOTTO SUPER 7 also made national news at the end of the fiscal year, when a major Ontario jackpot winner finally came forward to claim a $30 million prize – just under a year after the draw and days before the winning ticket would expire!

New and Improved

On November 25, 2003, the Interprovincial Lottery Corporation issued a national news release to all media announcing changes to LOTTO 6/49 for the first time in 22 years. While game mechanics remain the same (players select six of 49 numbers), consultations with consumers have led to a number of improvements:

- bigger jackpots more often – typically starting at $4 million versus previous $2 million and expected to rise to $25 million
- improved overall odds of winning – now 1 in 32 versus 1 in 54
- a new $5-prize – when customers match 2 of 6 plus the bonus number.

The improved odds of winning and bigger prizes for LOTTO 6/49 – Canada's longest-running and best-known national lottery game – are supported by a price increase from $1 to $2 per play. The first draw with this format took place in the next fiscal year, on June 2, 2004.

LOTTO 649

LOTTO SUPER 7

ENCORE ENCORE ENCORE

LOTTARIO

INSTANT Games

The popularity of INSTANT games continues as the Lottery division maintains interest and excitement by introducing new games and improving customer favourites.

EXTRAVAGANZA

Topping off playing value in INSTANT games this year, was the new EXTRAVAGANZA game. Launched across Canada (except in Quebec) in February 2004, EXTRAVAGANZA lives up to its name with over $40 million in prizes available including:

- 15 $1-million jackpots
- 50 automobiles
- 50 trips worth $5,000 each.

The game is particularly attractive because each $5 ticket gives players the possibility of winning up to six times. And by March 31, 2004, after less than two full months of play, OLGC already had 19 major winners – five $1-million winners, four $100,000 winners and ten $50,000 winners.

ONTARIO INSTANT MILLIONS Relaunched

A newly designed ONTARIO INSTANT MILLIONS game was relaunched in December with a spectacular Orient-Express-themed promotional campaign offering one lucky player a trip for two on the famed railway line. The promotion included OLGC's first "station domination" intended to raise brand awareness and increase the game's player base. Two Toronto subway stations and GO Train cars were transformed to resemble the opulent Orient Express, complete with actors in period costume promoting the game.

The hooplah was backed up with solid prize improvements. The revamped ONTARIO INSTANT MILLIONS game now features:

- three $1-million prizes
- an increased number of $100,000, $25,000 and $10,000 prizes
- new $1,500 and $1,000 prizes.

Tenth Anniversary and Other Celebrations

Consumers enjoyed top odds to win this year, when playing OLGC's special tenth anniversary version of INSTANT BINGO. INSTANT BIRTHDAY BINGO featured added bonus numbers and extra play areas for the highest-ever prize payout as well as $2 million in bonus prizes.

In addition, $10 Lottery INSTANT Gift Packs are now available year-round, rather than only during the holiday season. Each pack contains five popular INSTANT tickets, and there's a winner in every pack – guaranteed! Now, the gift of winning can be given for any occasion.

Charity Challenge

WINTARIO MILLIONS Charity Challenge enlisted local media celebrities in campaigns in Toronto, Ottawa and Sault Ste. Marie. The nostalgic events harkened back to the 1970s, featuring an original WINTARIO ball machine and WINTARIO television host, Faye Dance. More than $25,000 was donated to charities selected by participating celebrities. The WINTARIO MILLIONS draws were held weekly from October 30 through November 27, 2003.

Lottery Sales and Prizes by Game as at March 31, 2004

Product Groupings	Number of Games	Sales ($ millions)	Percentage of Total Sales	Prizes ($ millions)
On-line games	14	1,466.9	64.4	753.6
Sports games	3	212.6	9.3	128.1
INSTANT games	78	576.1	25.3	325.7
BINGO gaming	3	21.8	1.0	13.5
Totals	98	2,276.5	100.0	1,220.9

Sports Sales

Sports lotteries continued to show strength this year, delivering $212.6 million in sales, representing a 20.1% increase over the budgeted $177 million.

The strong consumer response to Tie Rule changes generated a significant increase in the annual number of winners for PRO•LINE. In addition, strong advertising and promotion campaigns created growth in baseball, college football and college basketball segments. The positive consumer reaction is evident in the growth of our player base and has contributed to the significant increase in sales for the sports category this year.

Retailer Initiatives

Extranet

This has been a year of technology-based innovation at OLGC. For retail operations the innovation was in the form of a Retailer Extranet web site, launched in July 2003. This site, available only to OLGC retailers, contains information about lottery products, promotions, training and policies, as well as on-line versions of OLGC publications such as *Retailer Bulletins*. As information is gathered about how retailers use and want to use the site, it will be developed to support and complement existing communication methods.

Increasing Retailer Redemptions

Both retailers and consumers are benefiting from a new policy that permits retailers to redeem prize-winning tickets up to $990. As of December 2003, retailers have the option of offering payouts beyond the previous limits of $200 for INSTANT and $300 for on-line games. The change allows participating retailers to improve customer service and earn larger redemption fees as the existing redemption rate now applies up to the new $990 level. Advertising has helped to inform lottery consumers.

Cash FOR LIFE

Winner Take All
Guaranteed Nightly Winner

PRO•LINE

PRO•PICKS

POINTSPREAD

COLLABORATIVE AND CREATIVE

BIG LINK BINGO is a unique co-operative effort of OLGC, the Ontario Charitable Gaming Association, which distributes the charitable proceeds, and the province's commercial bingo operators. BIG LINK BINGO links participating bingo halls to OLGC's central computer system. BIG LINK BINGO proceeds help thousands of community charities and nonprofit organizations across Ontario through direct funding. To date over $65.9 million has been distributed to community charities and non-profit organizations as a result of this collaborative effort.

Bingo Revenue Breakdown as of March 31, 2004

	ULTIMATE Link	LATE Link & theLink
Prizes	55.0 %	63.0 %
Hall Charity Associations	18.5 %	13.2 %
Bingo Halls	9.9 %	8.8 %
Operating Costs & Province	16.1 %	14.5 %

The organization that represents the charities and bingo hall operators receives 6.5%.

BIG LINK PLUS

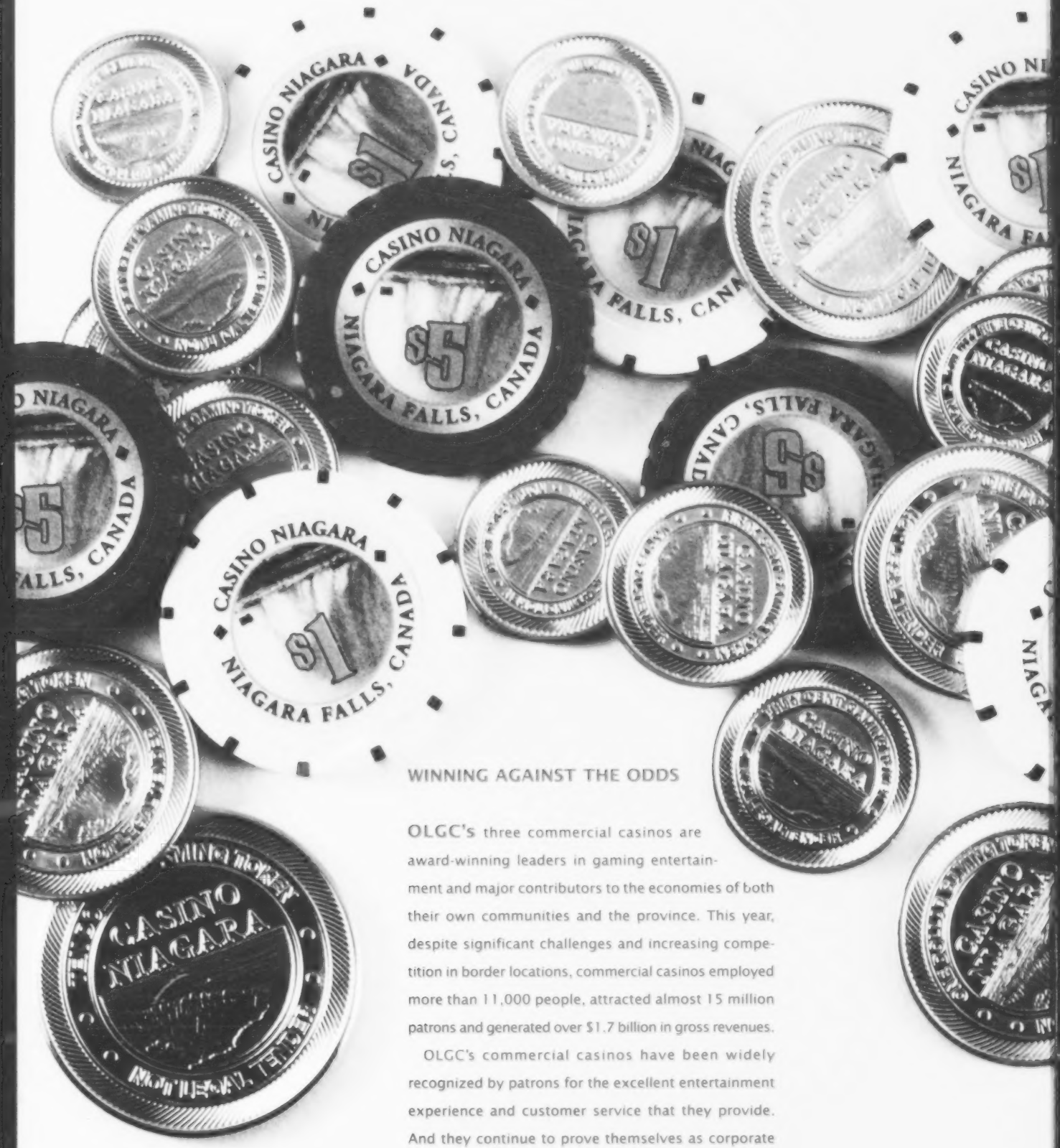
BIG LINK BINGO, OLGC's family of linked bingo games – comprising three base games,The LINK, ULTIMATE LINK and LATE LINK – launched a very popular new feature in October 2003: BIG LINK PLUS. For just $1 more, bingo players can add BIG LINK PLUS to their purchase, providing a chance to win an additional jackpot. The appeal and sales of the game continue to grow. BIG LINK PLUS jackpot levels have created new excitement in bingo.

On December 12, 2003, only two months after the game's launch, a player at Bingo Country Oshawa won the biggest BIG LINK PLUS jackpot yet – $342,633 – just in time for the holidays!

First Patent

In December 2003, OLGC achieved an important milestone when it was granted its first-ever Canadian patent for its linked, bingo-gaming system. This patent protects OLGC's PC-based bingo system, including source code and architecture, from being copied. The system was launched in 1997 under the name SUPERSTAR BINGO (now BIG LINK BINGO) to electronically connect live bingo games, with the aim of providing bigger jackpots, better in-hall prizes and more value for players. The system, developed by OLGC's Information Technology staff, uses a certified, computerized random-number generator. The system is already in use under license in British Columbia and negotiations are underway with several countries that have expressed interest. OLGC sought the patent knowing that this system has revenue potential internationally. With this patent and the marketing of the system (through OLGC's licensee), OLGC's image as a world leader in the gaming industry is reinforced.

Link *Link* *Link*



WINNING AGAINST THE ODDS

OLGC's three commercial casinos are award-winning leaders in gaming entertainment and major contributors to the economies of both their own communities and the province. This year, despite significant challenges and increasing competition in border locations, commercial casinos employed more than 11,000 people, attracted almost 15 million patrons and generated over $1.7 billion in gross revenues.

OLGC's commercial casinos have been widely recognized by patrons for the excellent entertainment experience and customer service that they provide. And they continue to prove themselves as corporate leaders through community involvement.

Casino Rama

A commitment to excellent customer service, top-notch entertainment and outstanding amenities contributed to Casino Rama being voted "Ontario's Favourite Casino" in the *Toronto Sun*'s annual readers' poll – for the seventh straight year!

Casino Rama is renowned for attracting big-name entertainers. This year, for the second time, Ringo Starr and his All-Starr Band kicked off their North American tour with a performance at the Entertainment Centre. In interviews and on stage, entertainers from around the world – including Faith Hill, Bill Cosby, Diana Ross, Ann Margaret, Tony Bennett, Regis Philbin, Drew Carey, Donna Summer, Michael Bolton and the Beach Boys – have expressed appreciation for the exceptional state-of-the-art equipment, first-class staff and facilities. This praise was underscored this year when Casino Rama received the first-ever Canadian nomination for Casino of the Year by the Academy of Country Music.

To win such raves, Casino Rama works hard to enhance employee skills and opportunities and to ensure the high quality of its customer service. Orillia's 600-member Chamber of Commerce recognized the Casino's contribution to the local economy with the 2003 Business Achievement Award for "Excellence in Training."

Casino Rama's Executive Director of Food and Beverage and Executive Director of Hotel Operations share their professional expertise as advisory board members for Georgian College's Hospitality program. Casino Rama also regularly hires students from the program to work part-time. This mutually beneficial community connection gives students "real world" experience with special events not otherwise available locally and provides Casino Rama with motivated workers in the present and perhaps the future.

The Casino Rama recruitment team takes seriously its special responsibility to hire, train and promote persons of First Nations origin – extending First Nations Job Fairs outside of Simcoe County to Sudbury, North Bay, London, Peterborough and Toronto. The effort, aimed at communities with significant numbers of potential First Nations candidates, has resulted in some excellent First Nations applicants being hired.

CASINO RAMA

Being a good global citizen is also good business, and this year Casino Rama has joined the international "Green Leaf Program." A preliminary energy audit was performed and a list of ways to save resources and money was compiled. Occupancy sensors, for example, will monitor hotel meeting areas to achieve energy efficiency and financial savings.

Finally, Casino Rama is proud this year to have won another Mobius Advertising Award for outstanding creativity in print advertising – this time for a campaign in Pollstar Magazine.

CASINO WINDSOR™

Casino Windsor

Through 2003/2004, Casino Windsor has experienced triumph, challenge and change in a flurry of unforeseeable events that dominated the media across North America. Casino Windsor's staff proved they were up for the challenge and continued to offer attractive marketing programs and provide superb customer service that garnered several awards from internationally recognized organizations. Winning Best Overall Casino Hotel in the Detroit Market (2003, Casino Player Magazine) and a fourth consecutive Four Diamond Award for Casino Windsor Hotel (2003, Canadian/American Automobile Association), Casino Windsor proved there can be solid achievements despite damaging world events.

Among the principal challenges faced by Casino Windsor in 2003/2004 were Canada-US border delays in response to the unparalleled rise in US security concerns. The war on terrorism, the US war in Iraq and Canada's Mad Cow incident lengthened border waits. Exaggerated media reports concerning SARS meant fewer American customers chose to cross the border, further contributing to a decline in business. Casino Windsor continues to actively work with both local and federal government representatives to ease border congestion.

In August, the power blackout in Ontario and the eastern US forced the casino to close for over six days, even while three Detroit casinos remained open. Although much was lost, it was obvious that customers were eager to return as a crowd grew at Casino Windsor entrances even before the neon lights were relit on August 21.

Currency fluctuations further tested Casino

Key Milestone Awards

- *Toronto Sun* Reader's Choice Award to Casino Rama as Ontario's Favourite Casino for the seventh consecutive year.
- Best overall Casino Hotel in Detroit Market (2003) to Casino Windsor from *Casino Player Magazine*, Best of Gaming Awards – coming first in 12 categories and among the top three in 20 out of 31 categories
- Four Diamond Award to Casino Windsor Hotel from Canadian/American Automobile Association (1999–2004)
- Four Diamond Award to Casino Niagara's signature restaurant Twenty One from Canadian/American Automobile Association (2000–2004)

Windsor's efforts to maintain its piece of the gaming pie. With the US dollar exchanging for approximately 20 cents less than in 2001, some players mistakenly believed Casino Windsor's slot machines were paying out less. To counter this misconception, Casino Windsor offered more amazing promotions to grab their customers' attention and to reinforce the reality that US customers still enjoy up to 40 cents on their dollar.

Although this year's world events ultimately affected the bottom line, Casino Windsor still enjoyed some proud moments in the limelight.

Lady Luck crossed the path of four Casino Windsor players in the form of MEGA BUCKS jackpots totalling more than $4.6 million in the first half of the fiscal year. With MEGA BUCKS slots linked to Ontario's other casinos, the pooled jackpots start at $1 million and grow until a player at one of the casinos wins.

In October 2003, Casino Windsor received international exposure by hosting the Women's Professional Billiards Association Cuetec Cues Canadian Classic Tournament. The high-profile event was broadcast on the popular sports channel ESPN.

Casino Niagara

In August 2003 at Casino Niagara, during a brief ribbon-cutting ceremony, representatives of OLGC, Niagara-area MPPs and the Mayor of Niagara Falls proudly revealed the name and logo for the city's long awaited new casino. Niagara Fallsview Casino Resort, due to open in 2004, will feature 3,000 slot machines, 150 gaming tables, a five-star 30-storey hotel, fine-dining restaurants, 50,000 square feet of conference space, a health spa, a shopping centre and various entertainment venues.

At a cost of about $1 billion, Niagara Fallsview is the largest single tourism investment ever made in the Niagara region: 1,200 people, 75 per cent of whom are from the Niagara region, have been employed during construction of the new facility. Upon completion, the casino is expected to create

CASINO WINDSOR
$25
ONTARIO, CANADA
$1
$5
$250
ONE DOLLAR GAMING TOKEN
GRAND OPENING

2,500 new direct jobs and many thousands of additional indirect jobs.

The government also announced that Casino Niagara, previously known as the interim casino, will remain in operation. Casino Niagara is visited by an average of more than 17,500 people daily and is the fourth largest employer in the Niagara area. Niagara Falls is already Ontario's top tourist attraction, representing about 40 per cent of the Canadian tourism industry. The presence of two major gaming facilities, will contribute substantially to Niagara Falls' broad plan to revitalize the area – capitalizing on current successes, realizing potential and transforming the city into a unique year-round tourist destination.

The logo for Niagara Fallsview Casino Resort incorporates the silhouette of an elegant lady whose long flowing hair transforms into the Falls. The name and luxurious look of the Niagara Fallsview are inspired by exclusive turn of the century resorts and reflect both the casino's glamour and its magnificent natural setting.

Although the Niagara Fallsview announcement was the big news this year, Casino Niagara also had an eventful and record-setting year.

As a member of the Niagara community, Casino Niagara Cares did its part on behalf of local charities. In June, 450 employees entered 38 teams in support of the Canadian Cancer Society's Relay for Life, while the Casino Niagara Cares program presented the Canadian Cancer Society with a cheque for $20,000.

In August, $500,000 was donated to Niagara College's FuturesReady capital campaign for the construction of its Hospitality and Tourism Centre and the Niagara Culinary Institute. And in October, Casino Niagara Cares contributed $100,000 to Women's Place of South Niagara to help in the construction of Nova House, a safe modern shelter for victims of domestic abuse.

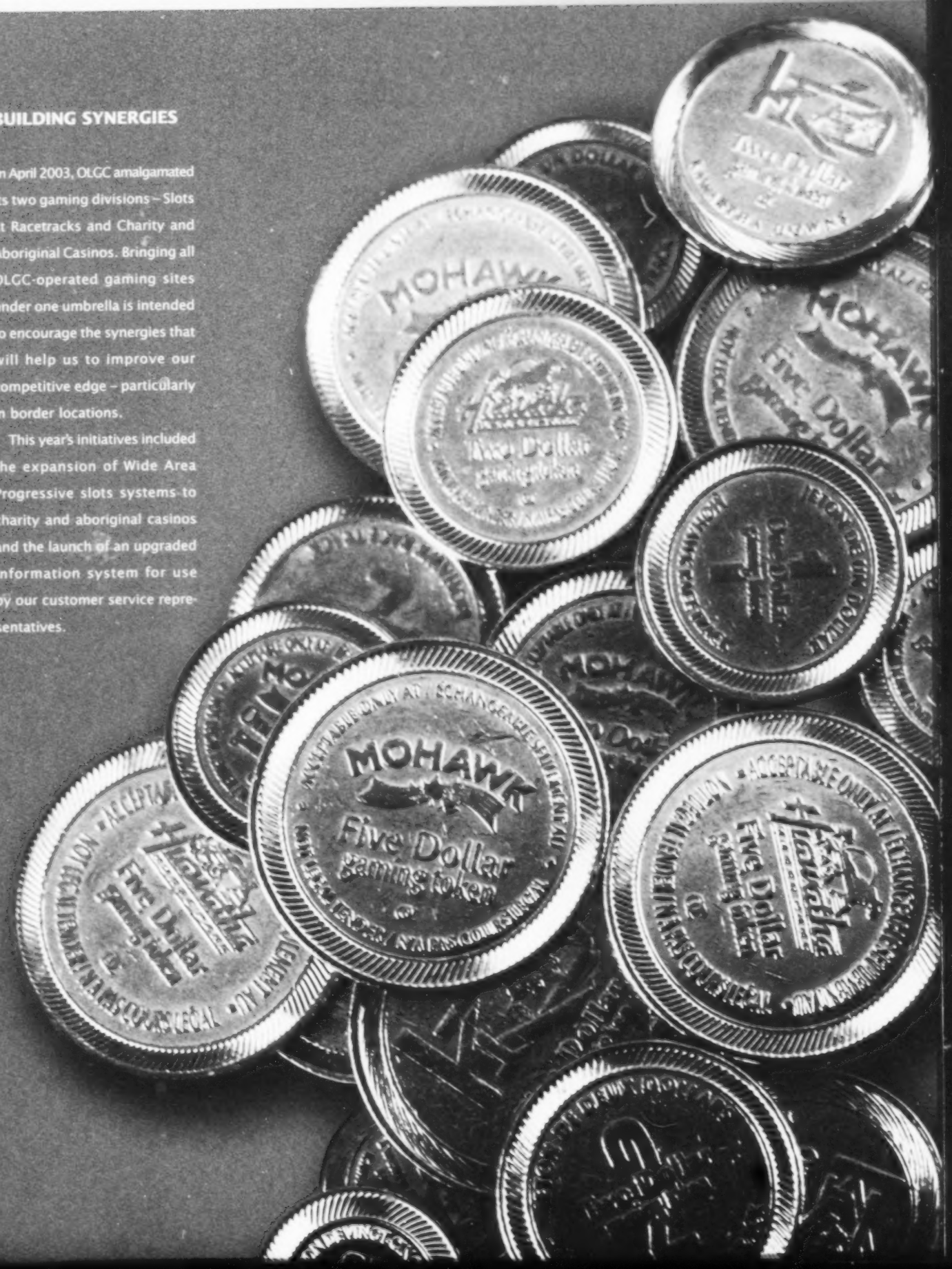
On New Year's Eve, the casino hosted 43,529 patrons! In March 2004, 31 patrons won brand new Ford vehicles – a total retail value of over $1 million – making this the largest vehicle giveaway in Casino Niagara's history!

NIAGARA FALLSVIEW
CASINO RESORT

BUILDING SYNERGIES

In April 2003, OLGC amalgamated its two gaming divisions – Slots at Racetracks and Charity and Aboriginal Casinos. Bringing all OLGC-operated gaming sites under one umbrella is intended to encourage the synergies that will help us to improve our competitive edge – particularly in border locations.

This year's initiatives included the expansion of Wide Area Progressive slots systems to charity and aboriginal casinos and the launch of an upgraded information system for use by our customer service representatives.



Wide Area Progressive Slots

During this fiscal year OLGC built on the success of MEGA BUCKS – a linked Wide Area Progressive slot system. The system, which pools bets among machines at various locations, was extended to charity and aboriginal casinos. The initiative permits customers in smaller centres to participate in a highly popular casino game, with minimum $1-million jackpots, that was previously available only at Ontario's three commercial casino locations.

The installation of MEGA BUCKS machines began in May 2003. By January 2004, all 39 machines were installed and operational (four in Sault Ste. Marie, seven in Point Edward, ten in Brantford, four in Thunder Bay, eight at Great Blue Heron and six at Thousand Islands).

Plans for the roll-out of MEGA BUCKS slots to Slots at Woodbine Racetrack begin in fiscal 2004/2005.

Smoke-Free Sites

Compliance with smoke-free by-laws is a significant consideration for gaming site management throughout the province. However, OLGC's position on this issue has remained consistent. All gaming sites will continue to comply with the municipal by-laws of their individual host communities.

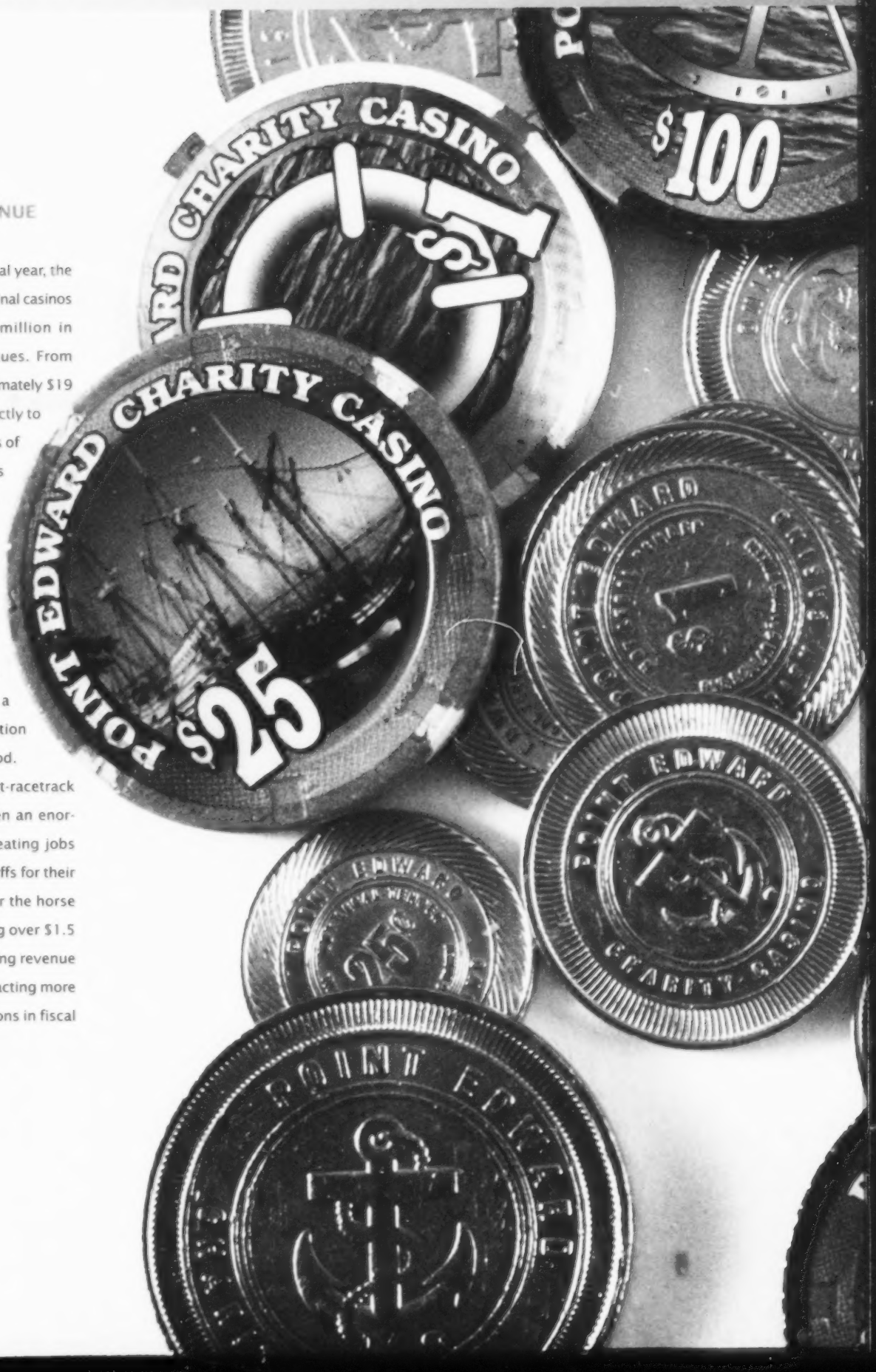
Smoke-free Sites as of March 31, 2004

	6 Charity & Aboriginal Casinos	16 Slots Facilities	Total
100% smoke-free by-laws passed	3	13	16
100% smoke-free by-laws under consideration	1	1	2
No by-law under consideration at this time	2	2	4

JOBS and REVENUE

Together, in this fiscal year, the six charity and aboriginal casinos generated $461.8 million in gross gaming revenues. From this revenue, approximately $19 million was paid directly to the host communities of the five charity casinos and $5.2 million to the Mississaugas of Scugog Island First Nation. Countless more dollars have been generated by the spin-off jobs related to having a major tourist attraction in the neighbourhood.

OLGC's 16 slots-at-racetrack facilities have proven an enormous success in creating jobs and economic spin-offs for their communities and for the horse industry – generating over $1.5 billion in gross gaming revenue for the year and attracting more than 17 million patrons in fiscal 2003/2004.



Grand River Opening

OLGC's 16th racetrack slot facility opened at Grand River Raceway in Elora in December 2003. The design celebrates one of the area's distinctive features – the glorious Grand River. The interior centres on an 1800s riverboat theme – highlighted by a paddle-boat replica on the wall of the gaming floor.

The gaming floor houses approximately 200 slot machines including Blazing 7s and progressive slots as well as interactive nickel games such as Little Green Men, Cleopatra, Texas Tea and interactive quarter games such as My Rich Uncle and Enchanted Unicorn.

The project was a joint-venture of OLGC, which invested $9.4 million toward construction – including furnishings, fixtures and equipment – and the Woolwich Agricultural Society, which was responsible for the base-building construction costs, estimated at $18 million.

With the opening, approximately 150 new jobs have been created with an annual payroll of more than $4.6 million in addition to the 300 jobs that had been created during the construction phase. Sixty-one per cent of those hired to work in the facility come from the Centre-Wellington County.

The non-smoking facility is open 24-hours-a-day on weekends and from 9 a.m. to 2 a.m. on weekdays.

Western Fair Renovations

On October 8, in conjunction with the Western Fair Association, OLGC opened its newly renovated slot facility at Western Fair Raceway. The renovations responded to strong customer demand at a site where one- and two-hour line-ups had been the norm on weekend nights. Since its opening in September 1999, Slots at Western Fair Raceway has experienced maximum capacity on a daily basis, averaging approximately 2,700 visitors each day. The renovation was undertaken to improve customer service, relieve capacity constraints and enhance area tourism.

The renovation brings the size of this slots facility in line with those in other similarly populated areas – Windsor Raceway, Mohawk Racetrack in Milton and Flamboro Downs in Hamilton.

The Western Fair Association covered the cost

Slots at Racetracks – Economic Impact of Operations, as of March 31, 2004

Facility	Opening Date	Number of Employees	Annual Payroll	Revenue to Tracks (10%)	Revenue to Horse People (10%)	Revenue to Municipality*	Number of Patrons	Number of Slots
Clinton Raceway	Aug. 24, 2000	70	$ 3,193,852	$ 1,165,601	$ 1,165,601	$ 582,801	210,507	100
Dresden Raceway	Apr. 18, 2001	66	2,854,795	937,415	937,415	468,708	241,784	100
Flamboro Downs	Oct. 11, 2000	375	13,439,813	13,913,820	13,913,820	5,280,590	1,687,098	752
Fort Erie Race Track	Sept. 9, 1999	391	16,609,244	12,624,465	12,624,465	3,937,566	1,555,616	1,217
Georgian Downs	Nov. 27, 2001	210	7,744,922	8,401,519	8,401,519	4,200,760	1,070,155	401
Grand River Raceway	Dec. 4, 2003	135	1,550,457 **	788,941	788,941	394,470	195,098	200
Hanover Raceway	Feb. 19, 2001	72	3,402,136	1,258,472	1,258,472	629,236	330,158	100
Hiawatha Horse Park	May 8, 1999	197	8,574,861	4,427,025	4,427,025	2,207,607	661,758	452
Kawartha Downs	Nov. 22, 1999	195	8,052,390	6,831,027	6,831,027	3,415,514	849,349	380
Mohawk Racetrack	Aug. 10, 1999	323	13,160,861	16,601,601	16,601,601	6,304,682	1,361,406	752
Rideau Carleton Raceway	Feb. 16, 2000	345	14,514,341	9,856,905	9,856,905	3,035,926	1,454,551	1,250
Sudbury Downs	Nov. 26, 1999	160	6,718,173	3,909,800	3,909,800	1,954,900	649,188	331
Western Fair Raceway	Sept. 28, 1999	416	11,115,215	7,558,883	7,558,883	3,281,289	1,087,484	750
Windsor Raceway	Dec. 16, 1998	275	10,091,088	6,517,318	6,517,318	2,476,484	931,947	750
Woodbine Racetrack	Mar. 27, 2000	882	30,267,120	57,572,774	57,572,774	16,080,237	4,560,257	1,707
Woodstock Raceway	June 20, 2001	80	3,009,220	1,582,399	1,582,399	791,199	384,501	100
Totals		4,192	$ 154,298,488	$ 153,947,965	$ 153,947,965	$ 55,041,969	17,230,857	9,342

* 1% gross from slots up to 450 machines and 2% gross from slots over 450
** estimate for last four months of fiscal 2004

of construction for the 20,784-square-foot addition, while OLGC has invested approximately $20 million for furniture, fixtures and equipment – creating 85 construction jobs. And with the October opening, OLGC created more than 130 new positions and increased the annual payroll by more than $4 million.

More than half of this space – 13,408 square feet – is dedicated to additional gaming space permitting OLGC to operate 750 slots. But an on-site food and beverage service was an equally important part of the improved service to customers that this renovation represents. The restaurant opened February 2004, creating approximately 100 additional jobs.

Benefits to Municipalities and Related Industries

OLGC made payments of more than $70 million to local host communities this year. This non-tax revenue is a direct benefit for local economies – funding a variety of community-based projects and local infrastructure development.

But benefits to the local economy do not stop there.

OLGC's 16 slots-at-racetrack facilities, five charity casinos and its slots facility at Great Blue Heron Charity Casino have generated more than $2 billion in gross gaming revenue and attracted more than 24 million patrons in 2003/2004. These facilities

Five Dollar
Five Dollar
Five Dollar
Five Dollar
WOODBINE
WOODBINE

employ approximately 7,300 people – fuelling their local economies with a total annual payroll of more than $275 million. They also contribute to general tourism in their host communities and to an increasingly healthy horse-racing industry.

This revitalized horse-racing industry is improving racing, breeding superior horses and stimulating local economies – purchasing millions of dollars in local goods and services. The Ontario Horse Racing Industry Association estimates that more than 7,000 new jobs have been created in the agricultural sector as a result of this province-wide initiative. Since the launch of the program in 1998, more than a billion dollars has been distributed to track owners and their horse people, who share equally 20 per cent of gross slot revenue – creating significant benefits for the third largest agricultural industry in Ontario. In this year alone, payments from slots facilities to horse people and track owners totalled nearly $308 million.

Charity and Aboriginal Casinos

While all casinos generate significant economic benefits, charity casinos operate under a specific set of guidelines. Ontario's five charity casinos are smaller and gaming activities are significantly more restricted than in commercial casinos. For example, in a charity facility, the total number of gaming positions – where a person is permitted

Charity Casinos – Economic Impact of Operations as of March 31, 2004

Facility	Opening Date	Number of Visitors	Number of Employees	Annual Payroll	Revenue to Municipality*	Number of Slots	Gaming Tables
Brantford Charity Casino	Nov. 17, 1995	1,867,700	1,010	$ 35,865,859	$ 3,648,163	452	31
Casino Sault Ste. Marie	May 19, 1999	1,230,448	480	15,794,010	1,953,190	451	17
Great Blue Heron Charity Casino Slots Facility	May 2, 2000	1,313,610**	***	****	****	452	*****
Point Edward Charity Casino	April 16, 2000	1,024,464	890	25,421,245	5,152,710	452	37
Thousand Islands Charity Casino	June 20, 2002	1,859,003	567	18,314,480	5,443,190	459	19
Thunder Bay Charity Casino	August 26, 2000	1,153,126	485	17,716,081	2,731,240	448	17
Totals		7,374,351	3,186	$ 113,200,863	$ 14,968,508	2,708	141

** 5% of gross from slot machines at charity casinos*
*** Great Blue Heron patron figures are based on entire facility.*
**** 320 employees of Great Blue Heron Gaming Company work in the slot facility. Estimated payroll is $11.5 million.*
***** As the host community of the slot machines at the Great Blue Heron Charity Casino, the Mississaugas receive 5% of the revenues from the slot machines.*
****** While Great Blue Heron Charity Casino offers table games, OLGC management and reporting is limited to the slot facility.*

Note: The Great Blue Heron Charity Casino is owned by the Mississaugas of Scugog Island First Nation and is operated by the Great Blue Heron Gaming Company, which is wholly owned by Casinos Austria, Fantasy Gaming and Sonco Gaming. The OLGC is responsible for the management of the slot facility only. The Great Blue Heron Charity Casino is a true Aboriginal casino and a major First Nations initiative. The Mississaugas of Scugog Island First Nation Indian Band (FSI) formed the Baagwating Community Association, a non-profit charitable association, to conduct and manage the table game operations.
The Ontario Government receives 20% of gross gaming revenue and 100% of net profits from the slots facility at Great Blue Heron Charity Casino.

to participate in a game – is limited to 870 and the betting limit for table games is $100 (compared to $10,000 at commercial casinos).

Great Blue Heron Charity Casino is an aboriginal casino. It operates under the authority of a charitable gaming agreement between the Province and the Baagwating Community Association. The casino is located on the territory of the Mississaugas of Scugog Island First Nation. OLGC owns and maintains authority of the slots facility located in the casino. The Great Blue Heron Gaming Company – a joint venture of Casinos Austria, Fantasy Gaming and Sonco Gaming – carries out the day-to-day operation of the casino. As host community of the slots facility, the Mississaugas receive five per cent of gross revenues from the slot machines. The Ontario Government receives 20 per cent of gross gaming revenues and 100 per cent of net profits from the slots facility.

Wintario
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5 Tickets
Inside!
INSTANT
MILLIONS
CASINO
RAMA
DOUBLE
Cherries
$10,000
PRIZE
LOT

Management's Responsibility for Annual Reporting

The accompanying consolidated financial statements of the Ontario Lottery and Gaming Corporation and all information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Where required, management has made informed judgements and estimates in accordance with Canadian generally accepted accounting principles.

The Board of Directors oversees management's responsibilities for financial reporting through its Audit and Risk Management Committee, which is composed entirely of directors who are neither officers nor employees of the Corporation. The Audit and Risk Management Committee reviews the financial statements and recommends them to the Board for approval. This Committee meets periodically with management, internal audit and the external auditors.

To discharge its responsibility, management maintains an appropriate system of internal control to provide reasonable assurance that relevant and reliable consolidated financial statements are produced and that the Corporation's assets are properly safeguarded. The Corporation maintains a staff of internal auditors whose functions include reviewing internal controls and their applications, on an ongoing basis. The reports prepared by the internal auditors are reviewed by the Committee. The internal auditors have free independent access to the Committee.

Grant Thornton LLP and KPMG LLP, the independent auditors appointed by the Board of Directors upon the recommendation of the Audit and Risk Management Committee, have examined the consolidated financial statements. Their report outlines the scope of their examination and their opinion on the consolidated financial statements. The independent auditors have full and unrestricted access to the Committee.

Duncan Brown
Chief Executive Officer

E.T. Dalton, CA
Vice President,
Finance & Administration

Auditors' Report

To the Board of Directors of Ontario Lottery and Gaming Corporation and to the Ministry of Economic Development and Trade.

We have audited the consolidated balance sheet of Ontario Lottery and Gaming Corporation as at March 31, 2004 and the consolidated statements of income, cash flows, changes in due to Province of Ontario and equity in capital assets for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Toronto, Canada
May 14, 2004

Grant Thornton LLP

Chartered Accountants
Sault Ste. Marie, Canada
May 14, 2004

Consolidated Balance Sheet

	2004	2003
Assets		
Current assets		
Cash and cash equivalents (Note 2)	$ 568,383	$ 499,015
Accounts receivable	49,641	46,831
Due from Falls Management Company (Note 8)	4,334	-
Due from Government of Canada	1,432	1,168
Prepaid expenses and other	50,529	53,058
Current portion of loans receivable (Note 4)	10,006	7,370
	684,325	607,442
Pre-opening and deferred development expenditures (Note 3)	18,578	24,948
Loans receivable (Note 4)	41,884	22,903
Capital assets (Note 5)	1,548,157	1,434,228
Assets contributed to Chippewas of Mnjikaning and deferred charges (Note 6)	20,943	22,744
Cash and short-term investments held for First Nations (Note 7)	88,603	54,938
	$ 2,402,490	$ 2,167,203
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 264,513	$ 264,139
Due to operators (Note 8)	32,298	38,026
Due to Chippewas of Mnjikaning (Note 8)	1,205	4,884
Deferred revenues	15,410	14,580
Current portion of long-term liabilities (Note 9)	33,271	18,656
	346,697	340,285
Due to First Nations (Note 7)	88,603	54,938
Long-term liabilities (Note 9)	125,871	156,106
Equity		
Due to Province of Ontario	252,827	186,786
Reserves (Note 2)	199,478	169,622
Equity in capital assets	1,389,014	1,259,466
	1,841,319	1,615,874
	$ 2,402,490	$ 2,167,203

Consolidated Statement of Income

Revenues		
Lotteries and bingo	$ 2,276,530	$ 2,208,776
Commercial casinos	1,497,482	1,669,963
Charity casinos and racetrack slot operations	1,956,058	1,883,281
Operating expenses		
Lotteries and bingo	1,630,341	1,518,151
Commercial casinos	1,252,213	1,276,785
Charity casinos and racetrack slot operations	1,020,474	1,006,744
Interest and other income	25,778	25,296
Interest expense	(11,577)	(9,301)
Foreign exchange gain	16,409	26,854

	2004	2003
Net income	$ 1,857,652	$ 2,003,189
Amortization of capital assets	148,274	133,031
Amortization of non-capital assets	13,934	36,749
Loss on disposal of capital assets	1,128	6,783
Change in non-cash operating working capital:		
Accounts receivable	(2,810)	12,625
Due from Falls Management Company	(4,334)	–
Due from Government of Canada	(264)	(1,168)
Prepaid expenses and other	2,529	(8,973)
Accounts payable and accrued liabilities	374	24,606
Due to operators	(5,728)	(9,921)
Due to Chippewas of Mnjikaning	(3,679)	(11,750)
Due to Government of Canada	–	(30,758)
Deferred revenues	830	4,270
	2,007,906	2,158,683
Increase in long-term liabilities	7,757	6,858
Repayments of long-term liabilities	(23,377)	(18,656)
	(15,620)	(11,798)
Pre-opening and deferred development expenditures	(5,695)	(10,138)
Issuance of loans receivable	(30,513)	(4,170)
Repayment of loans receivable	8,896	23,389
Capital expenditures	(265,153)	(228,884)
Proceeds on disposal of capital assets	1,822	1,140
Assets contributed to Chippewas of Mnjikaning and deferred charges	(69)	(5,442)
	(290,712)	(224,105)
Payments to Province of Ontario	(1,553,486)	(1,900,932)
Distributions to First Nations	(71,820)	(65,425)
Increase in due to First Nations	(6,900)	(467)
	(1,632,206)	(1,966,824)
Increase (decrease) in cash and cash equivalents	69,368	(44,044)
Cash and cash equivalents, beginning of year	499,015	543,059
Cash and cash equivalents, end of year	$ 568,383	$ 499,015
Supplemental disclosure of cash flow information:		
Cash interest received	$ 10,780	$ 10,648
Cash paid for interest	10,344	11,219

Consolidated Statement of Changes in Due to Province of Ontario

Year ended March 31, 2004 (in thousands of dollars)

	2004	2003
Net income	$ 1,857,652	$ 2,003,189
Add (deduct)		
Capital expenditures, net	(262,202)	(220,458)
Amortization of capital assets	148,274	133,031
Repayments of long-term liabilities	(23,377)	(18,656)
Increase in long-term liabilities	7,757	6,858
Distributions to First Nations	(78,720)	(65,892)
Transfers to reserves, net		
Capital renewals	(22,719)	(8,113)
Operating	(4,530)	(4,744)
Severance	(2,608)	(2,515)
	(238,125)	(180,489)
Current year amount due	1,619,527	1,822,700
Payments to Province of Ontario	(1,553,486)	(1,900,932)
Amount due less payments	66,041	(78,232)
Due to Province of Ontario, beginning of year	186,786	265,018
Due to Province of Ontario, end of year	$ 252,827	$ 186,786

Consolidated Statement of Equity in Capital Assets

Year ended March 31, 2004 (in thousands of dollars)

	2004	2003
Balance, beginning of year	$ 1,259,466	$ 1,160,241
Capital expenditures, net	262,202	220,458
Amortization of capital assets	(148,274)	(133,031)
Repayments of long-term liabilities	23,377	18,656
Increase in long-term liabilities	(7,757)	(6,858)
Balance, end of year	$ 1,389,014	$ 1,259,466

Notes to Consolidated Financial Statements

The Ontario Lottery and Gaming Corporation (the Corporation) was incorporated without share capital on April 1, 2000 pursuant to the *Ontario Lottery and Gaming Corporation Act, 1999*. The Corporation is a Crown agency of the Ontario government and is responsible for conducting and managing lottery games, five charity casinos and the Great Blue Heron Charity Casino Slot Machine Facility, sixteen slot operations at racetracks and three commercial casinos in the Province of Ontario.

The Corporation has entered into operating agreements with Windsor Casino Limited, CHC Casinos Canada Limited, Falls Management Company and Great Blue Heron Gaming Company for the operation of Casino Windsor, Casino Rama, Casino Niagara and Niagara Fallsview Casino Resort, (to be opened June 2004, see Note 10e) and the Great Blue Heron Charity Casino Slot Machine Facility, respectively.

Casino Rama is located on reserve lands of the Chippewas of Mnjikaning First Nation. Under the terms of the Casino Rama Revenue Agreement dated June 9, 2000, Ontario First Nations are entitled to the ongoing net revenues, as defined, of Casino Rama. Upon the ultimate dissolution and wind up of the operation, Ontario First Nations are entitled to the net proceeds from the disposition of the moveable assets, as defined, as well as any remaining undistributed earnings. In addition, under the terms of a 25-year lease (expiring in March 2021) between the Corporation and Casino Rama Inc., a wholly owned subsidiary of the Chippewas of Mnjikaning, upon the dissolution and wind up of the casino operation, the Corporation is required to surrender to the lessor, Casino Rama Inc., the lands and all improvements, except for the proceeds arising from the disposition of furniture, fixtures and casino gaming assets, which the Ontario First Nations are entitled to. These proceeds will be paid out to the Ontario First Nations in accordance with the Casino Rama Revenue Agreement.

The assets, liabilities and operations of the Great Blue Heron Charity Casino Slot Machine Facility are included in these financial statements. The operating results are included with the results of the charity casinos and racetrack slot operations. These financial statements do not include other operations carried out at the Great Blue Heron Charity Casino.

The consolidated financial statements include the accounts of the Corporation and its 100% owned subsidiaries, Ontario Gaming Assets Corporation and OLC Services Limited. These subsidiaries were established to purchase capital assets which are leased to the parent corporation, at cost.

In addition, the consolidated financial statements combine the financial position and results of operations of the commercial casinos at Casino Windsor, Casino Rama and Casino Niagara, and of the Great Blue Heron Charity Casino Slot Machine Facility.

Revenue from lottery games, for which results are determined based on a draw, is recognized when the draw takes place. Revenue for future draws is deferred and recognized when the draw takes place. Revenue from instant games is recognized when the ticket is activated for play by the retailer. Revenue from sports wagering games and bingo gaming is recognized when the ticket is sold to the consumer. Tickets issued as a result of the redemption of free ticket prizes are not recorded as revenue.

Gaming revenue from slot and table game operations represents the net win from gaming activities, which is the difference between amounts earned through gaming wagers less the payouts from those wagers.

Non-gaming revenue includes revenue from hotel, food and beverage and other services and is recognized at the time the services are rendered to patrons. This also includes the retail value of accommodations, food and beverage and other services provided to patrons on a complimentary basis.

Promotional allowances include the retail value of accommodation, food and beverage and other goods and services provided on a complimentary basis to patrons. The player clubs at the casinos and slot facilities allow patrons to earn points based on the volume of play. These points are accrued as a liability based on estimated redemption and are redeemable for complimentary goods and services and/or cash rebates. Promotional allowances include the value of the points as they are earned.

Promotional allowances also include the retail value of coupons (hotel, food and beverage and other goods and services) and other incentives provided to the patrons when these coupons are redeemed. The retail value of these coupons is included in revenue.

The estimated costs of providing these promotional allowances have been included as expenses in the Consolidated Statement of Income.

Certain expenditures, consisting of compensation, consulting and other costs incurred in connection with the development and opening of gaming sites are deferred and amortized over three years, commencing with site opening.

Expenditures, consisting of compensation, consulting and other costs incurred with the development of a management information system are deferred and amortized over a period not exceeding five years.

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and are amortized on a straight-line basis according to their estimated useful lives, as follows:

Buildings	10 to 50 years
Furniture and fixtures	2 to 10 years
Leasehold improvements	5 to 15 years
Lottery gaming assets	3 to 7 years
Casino and racetrack slot operations gaming assets	2 to 10 years

Capital assets are amortized when brought into operations.

Construction in progress and assets not in use are stated at cost. Costs will be amortized commencing upon completion of the related project. Interest on debt used to finance major additions to capital assets is capitalized during the construction phase. The interest cost is determined using the interest rate on incremental debt incurred by the Corporation to finance these capital assets. Interest capitalized is amortized over the same period as the related asset.

The Corporation regularly reviews the carrying values of its capital assets by comparing the carrying amount of the asset to the expected future cash flows to be generated by the asset. If the carrying value exceeds the estimated amount recoverable, a write-down equal to the excess of the carrying value of the asset's fair value is charged to income.

Assets contributed to Chippewas of Mnjikaning, consisting primarily of funding for the construction of a community centre, senior centre and certain infrastructure facilities, are amortized over the term of the Casino Rama ground lease. Deferred charges consist of financing fees, which are amortized over the term of the related debt.

Monetary assets and liabilities are translated at the year-end exchange rates. Consolidated Statement of Income items are translated at the rate of exchange in effect at the transaction date. Translation gains and losses are included in the Consolidated Statement of Income in the period in which they arise.

Casino Rama Inc., a wholly owned subsidiary of the Chippewas of Mnjikaning, is party to certain derivative financial instruments, principally interest rate swap contracts, used to manage its exposure to interest rate fluctuations on the non-revolving term loan (Note 9). These instruments are not recognized in the financial statements of the Corporation on inception. Payments and receipts under the interest rate swap contracts are recognized as adjustments to interest capitalized to construction in progress or to interest expense. The fair value of the interest rate swap contracts was calculated based on market conditions at year-end, supplemented with a quote from a financial institution. The fair value represents the amount that would be paid to terminate or replace the contracts. There are no present plans to terminate or replace significant portions of the contracts.

The Corporation has financial instruments that potentially expose it to a concentration of credit risk. The instruments consist of cash equivalents, accounts receivable and loans receivable. Cash equivalents consist of deposits with major

commercial banks. Accounts receivable include credit provided to retailers of lottery products and patrons of commercial casinos. Loans receivable consist of loans to racetrack operators and municipalities. The Corporation performs ongoing credit evaluations of retailers, patrons, racetrack operators and municipalities and maintains reserves for potential credit losses.

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable, due from Falls Management Company, due from Government of Canada, loans receivable, cash and short-term investments held for First Nations, accounts payable and accrued liabilities, due to operators, due to Chippewas of Mnjikaning and long-term liabilities. The fair value of these financial instruments, excluding loans receivable and long-term liabilities, approximates carrying amounts due to the short maturities of these instruments. The fair value of loans receivable approximates carrying value prior to consideration of the allowance for loan losses and is estimated by discounting the future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit ratings and similar remaining maturities. The fair value of the long-term liabilities approximates carrying value and is calculated by discounting future cash flows using rates currently available for similar terms and maturities.

The preparation of financial statements requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant estimates are used in determining, but are not limited to, the valuation of markers receivable, inventory valuation, valuation of loans receivable, the useful lives of all depreciable assets, the recoverability of capital and leased assets, unclaimed prize liability, the players club point provision and the outstanding chip and token liability. Actual results could differ from those estimates.

Cash and cash equivalents include the below-noted amounts, which are held in separate accounts.

	2004	2003
Reserves		
Capital renewals	$ 109,404	$ 86,685
Operating	65,689	61,160
Severance	24,385	21,777
	199,478	169,622
Prize funds on deposit	34,675	32,852
Term loan proceeds	1,660	8,132
	$ 235,813	$ 210,606

The Corporation has established cash reserves at the commercial casinos in accordance with their respective operating agreements for the following purposes:

i) capital renewals reserves for capital asset additions other than normal repairs or major renovations
ii) operating reserves to satisfy specified obligations in the event that revenue will be insufficient to meet such obligations and
iii) severance reserve to satisfy certain obligations of the Corporation arising from termination or layoff of employees of an operator in connection with the termination of an operator.

Prize funds on deposit are funds set aside representing the estimate of gross prizes outstanding less an estimate for prizes not expected to be claimed by players.

Term loan proceeds represent restricted cash that was to be used for construction purposes at Casino Rama.

Cash and cash equivalents include bank term deposits amounting to $72,800,000 (2003 – $43,000,000) at an interest rate of 2.1% to 2.15% (2003 – 2.1% to 3.2%).

Year ended March 31, 2004 (tabular amounts in thousands of dollars)

3. Pre-opening and deferred development expenditures

	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Pre-opening expenditures				
Commercial casinos	$ 8,262	$ 3,681	$ 4,581	$ 1,034
Charity casinos and racetrack slot operations	119,363	114,177	5,186	9,847
	127,625	117,858	9,767	10,881
Deferred development expenditures	23,956	15,145	8,811	14,067
	$ 151,581	$ 133,003	$ 18,578	$ 24,948

4. Loans receivable

The Corporation has loaned and is committed to loan funds to certain racetrack operators for the purposes of renovating or constructing buildings to accommodate the Corporation's slot machine facilities. Security is provided by mortgages and general security agreements covering the racetrack operators' assets. The loans bear interest based on the bank's prime rate and are repayable over periods ranging from one to ten years. The amounts will be repaid under an agreed-upon formula by withholding from commissions that would otherwise be payable to the racetrack operators. The Corporation has also advanced funds to certain municipalities for purposes of infrastructure improvements. The amounts will be recovered from the municipal commissions otherwise payable.

The Corporation's maximum remaining commitment as at March 31, 2004 is $3,000,000 to two racetrack operators and $1,300,000 to one municipality.

5. Capital assets

	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 133,161	$ –	$ 133,161	$ 133,161
Buildings	641,834	69,868	571,966	580,345
Furniture and fixtures	438,949	274,083	164,866	181,736
Leasehold improvements	524,997	195,621	329,376	324,222
Lottery gaming assets	135,694	46,755	88,939	9,883
Casino and racetrack slot operation gaming assets	423,131	246,398	176,733	156,849
Construction in progress and assets not in use	83,116	–	83,116	48,032
	$ 2,380,882	$ 832,725	$ 1,548,157	$ 1,434,228

During the year the Corporation capitalized interest amounting to $Nil (2003 – $1,369,000).

	Cost	Accumulated Amortization	2004 Net Book Value	2003 Net Book Value
Assets contributed to Chippewas of Mnjikaning	$ 32,337	$ 14,034	$ 18,303	$ 19,385
Deferred charges	4,019	1,379	2,640	3,359

	2004	2003
Segregated bank account, beginning of year	$ 46,753	$ 22,974
Distributions to the segregated bank account during the year	25,087	22,907
Interest earned during the year	1,678	872
Segregated bank account, end of year	73,518	46,753
Current distribution due to First Nations	15,085	8,185

On June 9, 2000, the Corporation, the First Nations of Ontario and the Province of Ontario entered into a revenue agreement that entitles the Ontario First Nations to the net revenues, as defined, from the operation of Casino Rama. Under the agreement, the Corporation is required to distribute the net revenues from the operation on a monthly basis.

The Casino Rama Revenue Agreement requires that, commencing July 31, 2001, the Corporation retain 35% of the net distributions from Casino Rama in a segregated bank account if the Corporation has not received a joint direction from the Chiefs of Ontario and the Chippewas of Mnjikaning with respect to a new revenue distribution formula. As at March 31, 2004, the Corporation has not received this direction and accordingly has retained 35% of the net distributions in a segregated interest-bearing bank account. This matter is currently the subject of an action brought by the Chippewas of Mnjikaning against the Province of Ontario and the Corporation and until the matter is decided by the courts or, alternatively, the Chippewas of Mnjikaning and the Chiefs of Ontario reach agreement on a new revenue distribution formula, the Corporation is required to retain these funds.

The payment related to the monthly distribution of the net revenue for March 2004 is included as Distribution due to First Nations.

8. Related party transactions

(a) Under the terms of the development and operating agreements for each of the commercial casinos and the Great Blue Heron Charity Casino Slot Machine Facility each operator is entitled to receive an operator's fee calculated as a percentage of gross revenues and as a percentage of net operating margin, both as defined in each of the related development and operating agreements.

(b) Under the terms of the development and operating agreement for Casino Rama, the Chippewas of Mnjikaning receive an annual fee of $4,500,000, adjusted for inflation, relating to provision of ongoing operating services. During the year, $5,170,000 (2003 – $5,059,000) was expensed. Other Chippewas of Mnjikaning charges amounting to $5,954,000 (2003 – $9,242,000) were also incurred during the year in connection with snow removal, water, sewer and emergency services. In addition, under the terms of a ten-year lease expiring July 2006, an annual rental of $563,000, adjusted for inflation, for office and warehouse space is paid to a company related to the Chippewas of Mnjikaning and during the year $626,000

(2003 - $597,000) was expensed. Also, under the terms of an eight-year lease ending July 2011, an annual rental of $313,000, adjusted for inflation, for warehouse space is paid to a company related to the Chippewas of Mnjikaning. During the year, $268,000 was expensed (2003 - $113,000 was expensed under a previous lease).

On April 30, 2002, an agreement was signed with the Chippewas of Mnjikaning, whereby the Corporation will reimburse the Chippewas of Mnjikaning 75% of the annual operating budget of the fire department, in exchange for fire protection services to the casino complex. This amount is included in other Chippewas of Mnjikaning charges above and is defined in the agreement for the period of April 1, 2000 to July 31, 2011.

The lands used for the Casino Rama complex are leased by Casino Rama Inc. from Her Majesty the Queen in the Right of Canada under a 25-year lease, which expires in March 2021. Annual rent payable under this lease is $3,500,000, adjusted for inflation, and is paid out of the gross revenues of the Casino Rama complex to the Chippewas of Mnjikaning in accordance with instructions from Indian and Northern Affairs Canada as representative for Her Majesty the Queen. During the year, $4,081,000 (2003 - $3,930,000) was expensed. Under the terms of an expansion agreement, additional annual rent of $1,700,000, adjusted annually for inflation, is payable and during the year $1,836,000 (2003 - $1,737,000) was expensed.

The Chippewas of Mnjikaning was the developer of the expansion of the Casino Rama complex and included in the amounts Due to the Chippewas of Mnjikaning is $Nil (2003 - $1,334,000) related to the construction.

c) Under the terms of the development and operating agreement, the Mississaugas of Scugog Island First Nation receive an amount equal to 5% of the gross revenue of the Great Blue Heron Charity Casino Slot Machine Facility in consideration for provision of the lands used for the slot machine facility. During the year, $5,173,000 (2003 - $4,730,000) was paid to the Mississaugas of Scugog Island First Nation.

d) Falls Management Company (FMC) is the developer of the Niagara Fallsview Casino Resort (Fallsview). As at March 31, 2004, certain costs relating to the development of Fallsview were incurred by Casino Niagara. These costs were billed to FMC and are reflected on the financial statements as Due from Falls Management Company.

9. Long-term liabilities

	2004	2003
Casino Rama		
non-revolving term loan	$ 144,527	$ 167,904
Niagara Fallsview		
construction development liability (Note 10e)	14,615	6,858
	159,142	174,762
Less current portion	33,271	18,656
	$ 125,871	$ 156,106

In June 2000, the Corporation entered into an agreement relating to the expansion and renovation of Casino Rama. Under the terms of the agreement, the Chippewas of Mnjikaning are responsible for the development, construction and financing of the expansion project at Casino Rama, which was completed during the year. In addition, Casino Rama Inc., a wholly owned subsidiary of the Chippewas of Mnjikaning, entered into a lending agreement that provides for a $186,560,000 non-revolving term credit facility for the project. The development and operating agreement for Casino Rama requires, among other things, that principal and interest payments be made from the gross revenues of Casino Rama in nineteen quarterly principal instalments, beginning June 28, 2002, of $4,664,000 and a final instalment of $97,644,000.

The credit facility bears interest at rates ranging between bank prime and bank prime plus 1.5% dependent on conditions outlined in the credit facility agreement. Bank prime at March 31, 2004 is 4% (2003 - 4.75%). Interest paid during the year amounted to $10,324,000 (2003 - $10,858,000). An interest rate swap contract, which matures on June 30, 2007, was entered into with an original notional principle of $125,100,000. The balance under the contract at March 31, 2004, amounted to $102,055,000 (2003 - $115,224,000). The contract results in a fixed rate of 6.68% on the outstanding notional amount. The interest rate risk exposure is limited to the net differential between the variable borrowing rate and the fixed rate under the swap contract, which is approximately 4.6% at March 31, 2004. The net interest rate receivable or payable under the contract is settled quarterly with the counter party, which is a Canadian chartered bank. The fair value of the interest rate swap contract, which represents the amount that would be paid to terminate or replace the contract as at March 31, 2004, is $9,780,000 (2003 - $8,332,000).

The funds advanced under the credit facility have been secured by certain Casino Rama assets.

The principal loan and construction development liability repayments expected to be made over the next three years are approximately:

2005	$ 33,271
2006	18,656
2007	107,215

The Corporation has entered into several leases for property and equipment. The future minimum lease payments are approximately:

2005	$ 10,718
2006	9,185
2007	7,443
2008	4,471
2009	3,758
	35,575
Thereafter	13,880
	$ 49,455

The Corporation has computer hardware and maintenance agreements with future payments of approximately:

2005	$ 9,537
2006	3,780
2007	2,069
2008	105
	$ 15,491

The Corporation has purchase agreements with suppliers for ticket printing services and on-line supplies. A commitment for purchases to a maximum of $4,701,000 is in force until March 2005.

In connection with Casino Windsor, in Windsor, Ontario, and under the terms of an agreement, the Corporation agreed to provide the City of Windsor with a fixed return over 20 years with payments commencing May 1, 1998 in the amount of $2,600,000 per annum for the first ten years and $3,000,000 per annum for the last ten years.

In connection with the Niagara Fallsview Casino Resort (Fallsview) in Niagara Falls, Ontario, and under the terms of an agreement, the Corporation agreed to provide the Corporation of the City of Niagara Falls (the City) with payments commencing December 7, 2000 in the amount of $2,600,000 per annum for the first ten years, $3,000,000 per annum for the next ten years and then $3,000,000 per annum, adjusted for Consumer Price Index, as defined in the agreement, thereafter. In addition, the Corporation is obligated to reimburse the City for the Corporation's share of certain infrastructure costs amounting to $3,600,000.

On January 29, 2002, the Corporation signed an amended and restated master development agreement with Falls Management Company (FMC) for the construction and development of Fallsview. Under the terms of the contract, construction financing is the responsibility of the developer and risks of the contract are substantially transferred to the developer. The risks to the Corporation include *force majeure*, extraordinary fluctuations in interest rates and Canadian dollar devaluation. The grand opening of the complex is scheduled for June 8, 2004. The Corporation will purchase Fallsview from FMC for $794,000,000 upon completion of the project, financed by a loan from the Province of Ontario, the terms of which include repayment over five years at an interest rate yet to be determined. Additional capital costs to be incurred by the Corporation are estimated at $203,000,000 of which $164,373,000 (2003 – $92,351,000) has been expended at March 31, 2004. Included in the costs to date is $29,214,000 in construction development fees, representing a fee of 5.0% of project costs incurred by FMC to March 31, 2004, half of which has been already paid to FMC and half of which is recorded in the current portion of long-term liabilities (Note 9). The total cost of the project is estimated to be $997,000,000.

13. Contingencies

(a) In November 2003, the Ontario First Nations Limited Partnership (the Plaintiff) delivered a statement of claim against the Corporation, Her Majesty the Queen in Right of Ontario and the Chippewas of Mnjikaning First Nation, as defendant parties. The statement of claim alleges that the Province of Ontario wrongfully withheld 20% of the gross revenues from Casino Rama operations. The Plaintiff claims damages in an amount equivalent to 20% of the gross revenues of Casino Rama from the time that it opened for operations to the date of judgement plus damages in the amount of $300,000,000. The outcome is undeterminable at this time and no amounts have been accrued in these financial statements.

(b) In November 2003, the Chippewas of Mnjikaning First Nation (the Plaintiff) delivered a notice of claim against the Corporation, her Majesty the Queen in Right of Ontario and CHC Casinos Canada Limited, as defendant parties. The Plaintiff alleges to be the legal and beneficial owner of all capital assets purchased for use in the development and operation of Casino Rama and requires all amounts of retail sales tax that have been paid or accrued in respect of purchases of capital assets be reimbursed. The Plaintiff claims damages in the amount of $21,000,000 against the defendant parties, excluding CHC Casinos Canada Limited, and claims that title to all capital assets purchased for use in the development and operation of Casino Rama be transferred to the Plaintiff. The outcome is undeterminable at this time and no amounts have been accrued in these financial statements.

The Corporation is, from time to time, involved in various legal proceedings of a character normally incidental to its business. The Corporation believes that the outcome of these outstanding claims will not have a material impact on these financial statements. Settlements, if any, concerning these contingencies will be accounted for as a charge to the Consolidated Statement of Income in the period in which the settlement occurs.

Notes to Consolidated Financial Statements

12. Segmented information

	Lotteries & Bingo	Commercial Casinos	Charity Casinos & Racetrack Slot Operations	2004 Total
Revenues				
Lotteries & bingo	$ 2,276,530	$ –	$ –	$ 2,276,530
Slots	–	1,125,333	1,942,085	3,067,418
Tables	–	408,162	59,210	467,372
Non-gaming	–	172,358	29,617	201,975
	2,276,530	1,705,853	2,030,912	6,013,295
Less promotional allowances	–	208,371	74,854	283,225
	2,276,530	1,497,482	1,956,058	5,730,070
Operating expenses				
Non-gaming	–	152,528	29,988	182,516
Gaming and lottery operations	100,641	306,373	246,754	653,768
Lottery prizes	1,220,881	–	–	1,220,881
Commissions	161,474	–	383,079	544,553
Marketing and promotion	43,248	125,048	79,519	247,815
Operators' fees (Note 8a)	–	61,466	6,063	67,529
Amortization	12,109	71,106	78,993	162,208
General and administration	34,808	196,553	134,872	366,233
Win contribution (Note 14)	–	306,638	20,648	327,286
Payments to Government of Canada (Note 15)	57,180	32,501	40,558	130,239
	1,630,341	1,252,213	1,020,474	3,903,028
Income before the undernoted	646,189	245,269	935,584	1,827,042
Interest and other income	3,822	13,865	8,091	25,778
Interest expense	–	(11,577)	–	(11,577)
Foreign exchange gain	9	13,890	2,510	16,409
	3,831	16,178	10,601	30,610
Net income	$ 650,020	$ 261,447	$ 946,185	$ 1,857,652

Year ended March 31, 2004 (tabular amounts in thousands of dollars)

12. Segmented information (cont'd)

	Lotteries & Bingo	Commercial Casinos	Charity Casinos & Racetrack Slot Operations	2004
Revenues				
Lotteries & bingo	$ 2,208,776	$ –	$ –	$ 2,208,776
Slots	–	1,267,415	1,868,245	3,135,660
Tables	–	435,887	58,332	494,219
Non-gaming	–	177,745	26,166	203,911
	2,208,776	1,881,047	1,952,743	6,042,566
Less promotional allowances	–	211,084	69,462	280,546
	2,208,776	1,669,963	1,883,281	5,762,020
Operating expenses				
Non-gaming	–	152,819	26,534	179,353
Gaming and lottery operations	89,769	305,246	228,175	623,190
Lottery prizes	1,134,696	–	–	1,134,696
Commissions	155,603	–	370,711	526,314
Marketing and promotion	40,781	125,949	80,772	247,502
Operators' fees (Note 8a)	–	75,950	5,584	81,534
Amortization	6,371	66,781	96,628	169,780
General and administration	39,316	189,945	141,351	370,612
Win contribution (Note 14)	–	340,711	18,873	359,584
Payments to Government of Canada (Note 15)	51,615	19,384	38,116	109,115
	1,518,151	1,276,785	1,006,744	3,801,680
Income before the undernoted	690,625	393,178	876,537	1,960,340
Interest and other income	2,817	15,228	7,251	25,296
Interest expense	–	(9,301)	–	(9,301)
Foreign exchange gain	–	22,090	4,764	26,854
	2,817	28,017	12,015	42,849
Net income	$ 693,442	$ 421,195	$ 888,552	$ 2,003,189

The Corporation provides pension benefits for all its permanent employees and to non-permanent employees who elect to participate through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) which are multi-employer defined benefit pension plans established by the Province of Ontario. The cost of post-employment benefits is included as part of the pension contributions made by the Corporation to the PSPF and OPSEU Pension Fund and accordingly the Corporation has no additional liability for these future costs. The Corporation's contribution rate to the fund increased in November 2002, from 4% to 8%. The Corporation's contribution during the year was $15,226,000 (2003 – $8,735,000).

The operators of the commercial casinos have created defined contribution pension plans for their employees. The pension expense for the year amounted to $15,306,000 (2003 – $15,474,000).

The Corporation remits a contribution to the Province of Ontario equal to 20% of gaming revenue from commercial casinos and the Great Blue Heron Charity Casino Slot Machine Facility.

The Corporation made the following payments to the Government of Canada:

	2004	2003
Payments on behalf of the Province of Ontario	$ 23,212	$ 22,612
Goods and Services Tax	107,027	86,503
	$ 130,239	$ 109,115

The provincial lottery corporations make payments to the Government of Canada under an agreement dated August 1979 between the provincial governments and the Government of Canada. The agreement stipulates that the Government of Canada will not participate in the sale of lottery tickets.

As a prescribed Goods and Services Tax (GST) Registrant, the Corporation makes GST remittances to the Federal Government pursuant to the Games of Chance (GST/HST) Regulations of the *Excise Tax Act*. The Corporation's net tax for a reporting period is calculated using net tax attributable to both gaming and non-gaming activities. The net tax attributable to gaming activities results in a 14% tax burden on most taxable gaming expenditures incurred by the Corporation. The net tax attributable to non-gaming activities is calculated similar to any other GST registrant in Canada.

Certain prior year amounts have been reclassified to conform with current year financial statement presentation.

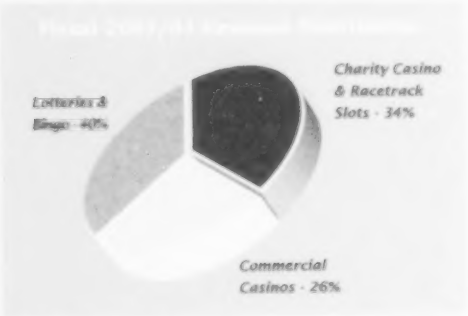
Management's Discussion and Analysis

Overall Corporate Performance

The year proved to be a challenging one as a number of uncontrollable events (Iraq war, SARS, August 2003 blackout, strengthening of the Canadian dollar and border crossing issues) negatively affected the Corporation's ability to achieve its financial targets. Cost containment initiatives intended to counter declining revenues began in July 2003.

Revenues – fiscal 2004 versus fiscal 2003

The Corporation completed the fiscal year ended March 31, 2004 with revenues of $5.7 billion. The $32.0 million decrease from the previous year was primarily due to the decline in commercial casino revenue and only partially offset by increased revenues from lotteries, charity casinos and racetrack slot operations. Revenues are reported net of players club and promotional allowances, which include the retail value of accommodation, food and beverage and other goods and services provided on a complimentary basis to patrons. This year's net income of $1.9 billion is $145.5 million or 7.3 per cent lower than the previous year due to a combination of decreased revenues and increased operating expenses.



Lotteries continue to be the Corporation's top revenue-generator with sales of $2.3 billion, $67.8 million more than the previous year. The increase is primarily due to higher LOTTO SUPER 7 and ENCORE sales – a direct result of the greater frequency of $20-million and higher jackpots during the year (nine this fiscal year compared to seven in the previous one). Sports product sales were higher than last year as there were fewer changes to games during this year, combined with an expanded player base and an increased number of events available to wager on.

In October 2003 the implementation of the new on-line lottery terminals and terminal software commenced. The project represents a significant capital investment for the Corporation, with a total project cost of $89 million to date. The new terminals have improved delivery of lottery products to retailers and players, setting the stage for enhanced product offerings in the future.

Commercial casino revenues are down $172.5 million from the previous year. Patron visits also decreased, numbering approximately 14.7 million – 1.9 million fewer than during the previous year.

		(in millions)		(in millions)
Casino Windsor	$	501	$	599
Casino Niagara	$	499	$	598
Casino Rama	$	497	$	472

Revenues for both Casino Windsor and Casino Niagara were significantly lower than the prior year. Historically, these border locales have attracted a significant number of US patrons and, as a result, the negative impact of border-related issues has been felt by both. Increased security concern since September 11, 2001 and the ongoing war in Iraq meant that border crossings for US patrons remained less attractive. The health concern represented by the April 2003 outbreak of SARS in the Toronto area discouraged many, while competition from casinos in neighbouring states further stemmed the flow of visitors. Then, August 2003 brought a week-long blackout period for both Casino Windsor and Casino Niagara as well as all racetrack and charity casino properties. Finally, a strong Canadian dollar took its toll on all sites that normally attract a high volume of US visitors. In general terms, a one-cent strengthening of the Canadian dollar causes an estimated $5 million decline in annual revenue across all border properties (based on internal analysis).

By contrast, Casino Rama's revenues of $497 million exceed the prior year's revenues ($472 million) by $25 million. Casino Rama's promotional campaigns were well received and its hotel, which opened in July 2002, enjoyed its first full year of operation, contributing to longer patron visits.

Revenues from charity casinos, racetrack slot operations and the slot-machine facility at Great Blue Heron Charity Casino are $2.0 billion, $72.8 million ahead of last year. In this sector too, border sites were susceptible to the same challenges as Windsor and Niagara, but non-border facilities helped miti-

gate the financial impact. Additional challenges were faced at a number of facilities as a result of municipalities implementing non-smoking bylaws.

A full year of operations at Thousand Islands Charity Casino and the opening of the Slots at Grand River Raceway in December 2003 contributed to year-over-year increases of $24.9 million and $7.9 million respectively. In addition, a shift in game mix to more interactive machines helped the Slots at Woodbine Racetrack realize an increase of $42.9 million over its prior year's revenue.

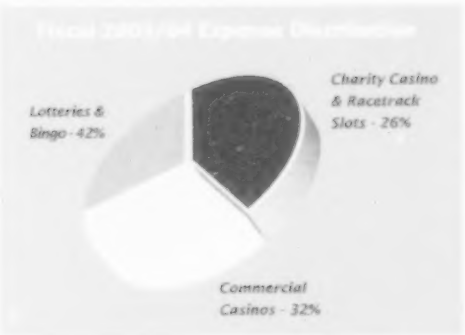
Looking forward, there are several significant factors that will affect future revenue figures. On April 2, 2004 the unionized employees of Casino Windsor went on strike shutting down the operations of this property for 43 days (reopening May 14th). The impact of the strike on the net profit for fiscal 2004/2005 is estimated at $38 million, and due to the financial significance of this event, the government approved a late change to the fiscal 2004/2005 budget to allow for this quantifiable shortfall.

The grand opening of the Niagara Fallsview Casino Resort on June 8, 2004 is another significant event in the next fiscal year. Although the complex will offer a wide assortment of facilities, only some amenities (such as restaurants and retail space) will be fully operational at its opening. As such, there will be incremental revenue-generating ability of the complex later in fiscal 2005 when all ancillary facilities will be available to patrons and the complex can be marketed as a full destination resort.

The Corporation also continues to monitor municipal non-smoking bylaws and the significant impact these bylaws could have on direct gaming revenues. In addition, the Corporation closely watches gaming resolutions passed in states that border Ontario, as US competition negatively affects revenues at border sites.

Expenses - fiscal 2004 versus fiscal 2003

Non-gaming expenses include the costs of promotional allowances and services such as food and bar, hotel, entertainment centre, coat check and valet parking provided to patrons of the casinos and racetrack slot operations. This year, these expenses were $182.5 million, compared to $179.4 million during the previous year, primarily due to the addition of food and beverage facilities at two of the racetrack slot operations, as well as the full year of operations at Thousand Islands Charity Casino.



Gaming and lottery operations expenses are $653.8 million for the year, $30.6 million higher than in the previous year. Charity casinos and racetrack slot operations expenses increased due to a full year of operations at Thousand Islands Charity Casino and incremental costs associated with the expansion of the slot operations at Western Fair Raceway and the opening of the slot operations at Grand River Raceway. Lotteries and bingo costs are higher than in the prior year due to the increased costs of printing higher price-point tickets and of the thermal paper used in the new lottery wagering terminals.

Lottery prizes vary with the mix of product revenues and the jackpot levels achieved. This year, lottery prize costs of $1.2 billion are $86.2 million higher than last year, a direct result of increased sales combined with the impact of guaranteed funding requirements for the LOTTO SUPER 7 jackpot bonus draws.

Total commissions paid to lottery retailers, bingo hall operators, municipalities, racetrack owners and horse people are $544.6 million, or $18.2 million above the prior year, and are directly related to the increased revenues for lotteries, charity casinos and racetrack slot operations.

Overall marketing and promotional expense of $247.8 million for the fiscal year ended March 31, 2004 is consistent with the prior year. This expense category includes entertainment, shuttle buses, signage, newspaper, radio and television advertising, direct mail, miscellaneous prizes and promotional items, and payroll costs associated with various marketing departments.

Operators' fees are paid to the operators of commercial casinos and the Great Blue Heron Charity Casino slot-machine facility, as required by each of their respective operating agreements. The amounts paid are based on the revenues and operating results of individual facilities. The decrease in operators' fees of $14.0 million from the prior year reflects the decline in revenue and operating results at Casino Windsor and Casino Niagara.

Management's Discussion and Analysis

Amortization expense for 2003/2004 is $162.2 million, a decrease of $7.6 million from prior year. Pre-opening expenditures for many of the charity casino and racetrack slot operations that had been capitalized and written off over three years were fully amortized in fiscal 2003, resulting in a decline in this expense for the current year.

General and administration expenses for the year are $366.2 million, a decrease of $4.4 million from the previous year. In addition to facility costs and general and administration costs associated with each property, this expense includes the cost of centralized support services provided by Finance and Administration, Legal, Human Resources, Information Technology, Corporate Relations and Internal Audit departments. These corporate support service costs, as well as general and administration costs for lotteries and bingo, decreased due to the implementation of cost containment strategies during the year. The initiatives include controls on hiring and limitations on travel and training. Facility costs increased because of the higher property taxes at charity casinos and Casino Niagara, increased common area costs at racetrack slot operations and higher insurance costs, a trend consistent within the insurance industry.

Win contribution represents 20 per cent of the gaming revenue from the commercial casinos and the slot operations at the Great Blue Heron Charity Casino and is paid to the Province of Ontario. The decline of $32.3 million from prior year was a direct result of lower gaming revenues at Casino Windsor and Casino Niagara. The decline is mitigated by increases realized at Casino Rama and the slot operations at the Great Blue Heron Charity Casino.

Payments to the Government of Canada include Goods and Services Tax (GST) as well as payments made on behalf of the Province of Ontario under an agreement between the provincial governments and the Government of Canada whereby the federal government will not participate in the sale of lottery tickets. The prior year balance includes the results of the finalization of the GST audit at Casino Niagara and Casino Rama with the resulting application of these favourable rulings to other properties, thus reducing GST expense of the prior year.

Interest and other income

Interest and other income is $25.8 million for the year, an increase of $0.5 million from prior year, due to an increase in ATM revenue from the charity casino and racetrack slot operations.

Interest expense

Interest expense is $11.6 million for the year. The $2.3 million increase over the prior year is the result of a full year of interest expense on the Casino Rama loan, which financed the addition of an entertainment centre and hotel. In the previous year, a portion of the interest expense had been capitalized as the Casino Rama hotel did not open until July 2002.

Foreign exchange gains

Foreign exchange gains, which arise predominantly from the buying and selling of US dollars at the border properties, are $16.4 million for the year, a decrease of $10.4 million, due primarily to the decreased number of US patrons at these border properties.

Liquidity and capital resources

Cash generated from operations for the fiscal year ended March 31, 2004 is $2.0 billion, $150.8 million below the previous year, primarily as a result of lower revenues. Funds were used for the repayment of long-term liabilities that were incurred in prior years for the construction of the entertainment centre and hotel at Casino Rama.

The amount expended on investing activities, which includes capital acquisitions and construction activities, is $290.7 million, $66.6 million higher than the previous year. During the year, significant investments included new lottery terminals, construction of the Niagara Fallsview Casino Resort and of the slot operations at Grand River Raceway and renovations at the slot operations at Western Fair Raceway. The Corporation will be required to purchase the completed Niagara Fallsview Casino Resort from Falls Management Company in June 2004 for a total not exceeding $794 million that, when combined with the $203 million that the Corporation is funding, brings the total cost to $997 million. The purchase will be financed by a loan from the Province of Ontario, at an interest rate of 4.4 per cent and repayable over five years.

Payments to the Province of Ontario are $1.6 billion, $347.4 million lower than the previous year, due to a combination of lower revenues and higher capital requirements, as discussed above. These payments represent net income adjusted for working capital requirements and capital expenditures.

Management's Discussion and Analysis

Key Performance Indicators

As the rapid growth period enjoyed by the Corporation over the past few years comes to a close, the Corporation is turning its efforts towards maximizing operational efficiencies and optimizing profits. While gaining new market share continues to be an objective of the Corporation, fiscal year 2003/2004 saw a renewed emphasis on cost containment.

Key performance indicators that the Corporation has focused on during the year are as follows:

	Fiscal 2004	Fiscal 2003
EBIDA margin *		
Lotteries & Bingo	62.4%	65.2%
Charity Casinos & Racetrack Slot Operations	51.3%	51.3%
Commercial Casinos	37.8%	43.9%
Marketing as a percentage of gaming revenue **		
Lotteries & Bingo	4.6%	4.3%
Charity Casinos & Racetrack Slot Operations	7.0%	7.2%
Commercial Casinos	23.0%	20.8%
Payroll as a percentage of total revenue ***		
Lotteries & Bingo	2.3%	1.9%
Charity Casinos & Racetrack Slot Operations	14.4%	13.3%
Commercial Casinos	27.3%	24.7%

* EBIDA margin is a common measure used in the gaming industry. EBIDA stands for earnings before interest expense, depreciation and amortization.

** Marketing costs including promotional allowances, promotions, advertising and corporate marketing. These costs are divided by gaming revenue. Gaming revenue includes revenue from lottery and bingo games, as well as, slot and table game operations, and excludes all non-gaming revenue.

*** Payroll as a percentage of total revenue. Payroll and benefit costs are divided by total revenue.

Both marketing and payroll indicators are important measures as they represent key cost drivers of the Corporation.

Management's Discussion and Analysis

Reconciliation of EBIDA to net income

2004	Lotteries & Bingo	Commercial Casinos	Charity Casinos & Racetrack Slot Operations	Total
EBIDA	$ 660,743	$ 651,549	$ 1,046,072	$ 2,358,364
Amortization	(12,109)	(71,106)	(78,993)	(162,208)
Interest expense	–	(11,577)	–	(11,577)
Win contribution	–	(306,638)	(20,648)	(327,286)
Reclassification of support services and inter-company activity	1,386	(781)	(246)	359
Net income	$ 650,020	$ 261,447	$ 946,185	$ 1,857,652

2003				
EBIDA	$ 701,936	$ 838,340	$ 1,005,850	$ 2,546,126
Amortization	(6,371)	(66,781)	(96,628)	(169,780)
Interest expense	–	(9,301)	–	(9,301)
Win contribution	–	(340,711)	(18,873)	(359,584)
Reclassification of support services and inter-company activity	(2,123)	(352)	(1,797)	(4,272)
Net income	$ 693,442	$ 421,195	$ 888,552	$ 2,003,189

The items listed represent the income and expense amounts required to reconcile EBIDA with net income as defined under Canadian generally accepted accounting principles (GAAP). The following information should be read in conjunction with note 12 of the Consolidated Financial Statements.

Reconciliation of total revenue to revenue as referenced in note 12

2004	Lotteries & Bingo	Commercial Casinos	Charity Casinos & Racetrack Slot Operations	Total
Total revenue	$ 1,058,732	$ 1,724,232	$ 2,037,828	$ 4,820,792
Lottery prizes	1,220,881	–	–	1,220,881
Interest and other income	(3,822)	(13,865)	(8,091)	(25,778)
Foreign exchange gain	(9)	(13,890)	(2,510)	(16,409)
Reclassification of non-gaming revenue	–	10,200	–	10,200
Reclassification of support services	748	(824)	3,685	3,609
Revenue as referenced in note 12	$ 2,276,530	$ 1,705,853	$ 2,030,912	$ 6,013,295

2003				
Total revenue	$ 1,076,299	$ 1,909,709	$ 1,959,893	$ 4,945,901
Lottery prizes	1,134,696	–	–	1,134,696
Interest and other income	(2,817)	(15,228)	(7,251)	(25,296)
Foreign exchange gain	–	(22,090)	(4,764)	(26,854)
Reclassification of non-gaming revenue	–	9,284	–	9,284
Reclassification of support services	598	(628)	4,865	4,835
Revenue as referenced in note 12	$ 2,208,776	$ 1,881,047	$ 1,952,743	$ 6,042,366

The items listed represent the income and expense amounts required to reconcile total revenue with revenue as referenced in note 12 and defined under Canadian GAAP. The following information should be read in conjunction with note 12 of the Consolidated Financial Statements.

Management's Discussion and Analysis

The EBIDA margin for lotteries and bingo is lower this year than last due to the higher gaming and lottery operations expenses noted earlier. The lower than expected revenues for commercial casinos, as discussed above, are also apparent in the 2004 EBIDA margin. While commercial casinos' overall operating expenses are lower than the previous year, many costs remained relatively fixed in the short-term due to the nature of the operations, thereby negatively affecting the current year's EBIDA margin.

Marketing as a percentage of gaming revenue is marginally greater than last year for lotteries and bingo due to additional advertising related to the launch of new products. Meanwhile, although the commercial casinos marketing and promotional expense is fairly consistent with prior year, a decline in gaming revenue caused this indicator to increase.

Payroll as a percentage of total revenue was above the prior year for charity casinos and racetrack slot operations due primarily to the full year of payroll costs incurred at the Thousand Islands Charity Casino as well as incremental payroll costs associated with the expansion of the Slots at Western Fair Raceway and the opening of the Slots at Grand River Raceway. This increase in payroll is not proportionately matched with increased revenue. Payroll costs at the commercial casinos are consistent with prior year, however, this indicator was negatively affected by lower than anticipated revenues.

In addition to the above listed indicators, market share analysis is undertaken on an on-going basis at Casino Windsor in order to better understand how the lucrative Windsor/Detroit market is shared between the four casinos in the area. Casino Windsor's share of the market has declined since the July 1999 opening of MGM Grand, in Detroit. Further competition was added to the Detroit area when MotorCity Casino and Greektown Casino opened in November 1999 and November 2000 respectively. Despite this considerable competition, Casino Windsor was able to maintain the number one spot until September 11, 2001, when revenues fell significantly. On average, Casino Windsor held the number two spot, second to MotorCity Casino, during fiscal 2002/2003, and fell to the number three spot in fiscal 2003/2004, as border issues – SARS and a strong Canadian dollar – proved detrimental to this property.

Casino Niagara also faces competition from Seneca Niagara Casino in New York State. While detailed revenue information is not publicly available for the New York casino, both Casino Niagara and the Slots at Fort Erie Race Track have seen a decline in patron counts and revenue since Seneca Niagara Casino's opening on December 31, 2002.

Fees Paid to External Auditors

For the fiscal year ended March 31, 2004, the Corporation retained its independent auditors, Grant Thornton LLP, KPMG LLP and Ernst and Young LLP to provide services in the categories and amounts shown below.

	Grant Thornton	KPMG	Ernst & Young	Fiscal 2004 Total	Fiscal 2003 Total
Audit services	$ 236,722	$ 564,319	$ 71,251	$ 872,292	$ 678,000
Audit-related services	19,625	200,433	–	220,058	313,000
Tax services	500	212,330	–	212,830	114,000
Other services	107,120	89,148	–	196,268	393,000
Total of all services	$ 363,967	$ 1,066,230	$ 71,251	$ 1,501,448	$ 1,498,000

Salary Disclosure

Name	Title	Salary	Taxable Benefits
Albidone, Italo	Manager, Project Implementation	$106,866.97	$129.94
Aronson, Donald	Director, Corporate Events & Community Relations	$113,417.51	$156.99
Aube, Michel	Senior Manager, Corporate Security	$105,034.47	$144.59
Austin, David	General Manager	$102,939.70	$131.19
Babalis, Christos	General Manager	$110,778.92	$146.70
Bailey, Rod	Executive Director, Gaming	$175,823.14	$1,090.23
Barbaro, Ron	Chief Executive Officer	$395,617.31	$7,846.00
Barnett, Kenneth	Director, Slots Racetrack Business Development	$122,001.62	$170.04
Bell-Murray, Lisa	Director, Corporate Accounting & Reporting	$139,673.82	$194.19
Berdowski, Alan	Senior VP, Lottery	$201,298.65	$13,801.80
Birch, Michael	Channel Development Manager	$106,438.26	$142.53
Bortolussi, Roy	Director, Lottery Marketing	$135,512.91	$185.32
Brown, Greg	Director, Retail Planning & Implementation	$128,744.30	$154.64
Brown, Gregory	Director, External e-Channels	$127,170.37	$172.17
Burton,Timothy	Director, Taxation	$136,135.94	$189.33
Calderone, Bart	Director, Strategic Projects	$145,212.65	$193.68
Cameron, Chris	Director, Lottery Marketing	$132,093.64	$183.85
Campbell, Alexander	Director, Customer Service	$132,919.69	$183.14
Carvalho, Antonio	VP, Corporate Planning & e-Business	$183,590.58	$1,247.92
Choronzey, Karen	Director, Human Resources Strategic Alliances & Learning	$118,468.89	$161.33
Cooper, Jeff	Director, Customer & Channel Management	$139,548.65	$366.22
Cowie, Geoffrey	Senior Legal Counsel	$111,981.36	$147.21
Craig, Ron	Director, Development & Implementation	$137,548.55	$189.88
Crawford, Mona	Director, Sales & Service Initiatives	$125,015.57	$172.52
Cronin, James	Senior Manager, Public Relations	$143,667.33	$186.54
D'agostini, Douglas	Director, Solutions Delivery	$103,217.43	$143.00
Dal Din, Linda	Relationship Manager	$105,093.44	$144.33
Dalton, Earl	VP, Finance & Administration & Corporate Controller	$201,298.65	$5,501.39
Deans, Wayne	Director, Internal Audit	$128,748.83	$178.17
Di Maurizio, Mory	General Manager	$112,170.44	$147.59
Ferrara, Francesco	Senior Legal Counsel	$125,321.96	$161.13
Festival, Mario	Architect – Security	$112,838.73	$136.72
Fioravanti, Walter	VP, Human Resources	$205,157.42	$13,432.13
Flynn, Larry	VP Gaming Marketing & Customer Development	$201,298.65	$3,131.64
Frair, Robert	Project Director, Enterprise Resource Management	$136,860.14	$182.77
Franco, Elizabeth	Manager, Taxation	$107,487.26	$147.11
Gagesch, Karl	VP, Financial Planning & Analysis	$172,615.71	$15,181.43
Gall, Danny	General Manager	$105,186.82	$121.50
Gibbons, Brenda	Director, Procurement	$136,640.40	$189.15
Glenat, Suellen	Director, Employee Relations & Communications	$106,910.13	$124.59
Gough, Lesley-Anne	General Manager	$103,886.06	$138.67
Gray, Richard	Director, Financial Planning & Analysis	$114,299.69	$157.85
Henderson, Mark	General Manager	$121,439.52	$758.02
Hill, Douglas	Relationship Manager	$117,591.45	$163.71
Hill, Stephen	Project Manager	$111,045.96	$2,858.95
Kantovaara, Juha	Architect Technology	$107,208.78	$139.81
Kasch, John	Architect Information	$108,619.85	$140.87
Ko, Ronald	Director, Bingo Gaming	$116,564.32	$156.93
Kozniuk, Bob	Senior VP, Gaming	$201,298.65	$13,239.75
Kurdyla, David	VP, Solutions Delivery	$172,462.06	$10,085.64
Kyle, Brian	Director, Business Development	$133,335.37	$178.66
Laitinen, Christena	Senior Manager, Labour Relations	$101,144.96	$141.11
Lapointe, Catherine	Director, Operations & Maintenance	$115,200.19	$160.13
Locke, Robert	Director, Facilities	$124,750.09	$1,332.47
Lockhart, Scott	Design & Development Operations Facilities Manager	$100,990.37	$4,215.31
Longman, Robert	Key Account Manager	$106,478.65	$904.99
Madden, Stephen	Director, Security	$117,882.80	$179.79
Maddocks, David	Director, Development	$141,751.73	$1,941.00
Marinelli, Thomas	Chief Technology Officer	$167,899.72	$11,577.26
Markkula, Leo	Director, Treasury	$131,972.49	$182.77
McPhee, Terry	General Manager	$112,231.68	$155.40
Myers, David	VP, Sales & Service	$169,364.03	$3,514.55
Nieder, Michael	VP, Chief Information Officer	$201,298.65	$12,363.16
Palmer, Brian	Director, Process & Implementation	$119,870.35	$166.53
Pastore, Giacomo	Manager, Government Relations	$101,737.71	$6,713.07
Peltsch, Klaus	Architect Application	$105,009.35	$139.53
Perugini, Tony	Manager, Commercial Casinos & Corporate Analysis	$106,615.62	$148.26
Peters, Ingrid	General Counsel, Corporate Secretary & VP, Legal & Compliance	$201,298.64	$14,432.61
Prgomet, John	Director, Human Resources Programs & Infrastructure	$141,394.15	$179.86
Ramondt, Susan	Executive Secretary, Board of Directors	$107,638.69	$140.98
Rennie, Karen	General Manager	$101,975.54	$140.40
Rozeluk, Jerry	Executive Director, Gaming	$143,698.49	$2,199.92
Scott, Charles	Director, Compliance, Investments & Best Practices	$103,563.67	$6,111.14
Seldon dimock, Verity	Director, Performance & Learning	$136,685.50	$152.22
Sepkowski, Matt	Director, Marketing	$117,189.65	$151.91
Smith, Geoff	General Manager	$130,069.68	$171.46
Tatasciore, John	Network Architect	$109,361.51	$138.68
Thorburn, David	General Manager	$111,698.32	$139.72
Tomie, Adriana	Director, Shared Services	$139,341.01	$193.74
Uhren, Cameron	General Manager	$134,562.28	$181.25
Walker, Stuart	General Manager	$120,123.18	$167.58
Whitmell, Dereck	Director, Solutions Delivery	$121,515.23	$163.07
Wisternoff, John	VP, Lottery Marketing	$172,940.94	$5,890.23
Wood, Brian	Chief Operating Officer	$296,448.67	$9,166.19
Yammine, Georges	Executive Director, Gaming	$145,250.45	$3,263.08
Zelisney, Jackie	Casino Manager	$109,911.03	$152.76

The *Ontario Public Sector Salary Disclosure Act, 1996* requires that OLGC make available, on an annual basis, information on the salary and taxable benefits of those individuals in the Corporation whose salary is more than $100,000 in a calendar year.

The salary portion of an individual's compensation includes base salary, overtime payments, vacation/lieu time payouts, incentive and/or lump-sum merit payments, and one-time relocation expenses and/or resettlement payments.

You will find listed the name, title, salary and taxable benefits of those within the OLGC whose salary was over $100,000 for the year 2003.

BOARD OF DIRECTORS

Timothy Reid, Chair
February 23, 2004 – February 22, 2005

Stanley Sadinsky, Chair
August 1, 2003 – February 22, 2004

Ron D. Barbaro, Chair and Chief Executive Officer
June 24, 2001 – July 31, 2003

Cheryl Byrne
February 1, 2001 – August 1, 2004

Gerald Huck
June 13, 2001 – June 12, 2004

Peter J. Labbett
December 20, 2000 – November 30, 2003

Hugh Nichol
May 3, 2000 – May 2, 2003

Louis Elio Panontin
January 20, 2003 – January 19, 2006

Nicholas Perpick
January 13, 2002 – January 12, 2005

Bruce Reid
April 4, 2001 – April 3, 2003

Gary Reinblatt
January 13, 2002 – January 12, 2005

Ravi Shukla
January 23, 2002 – January 22, 2005

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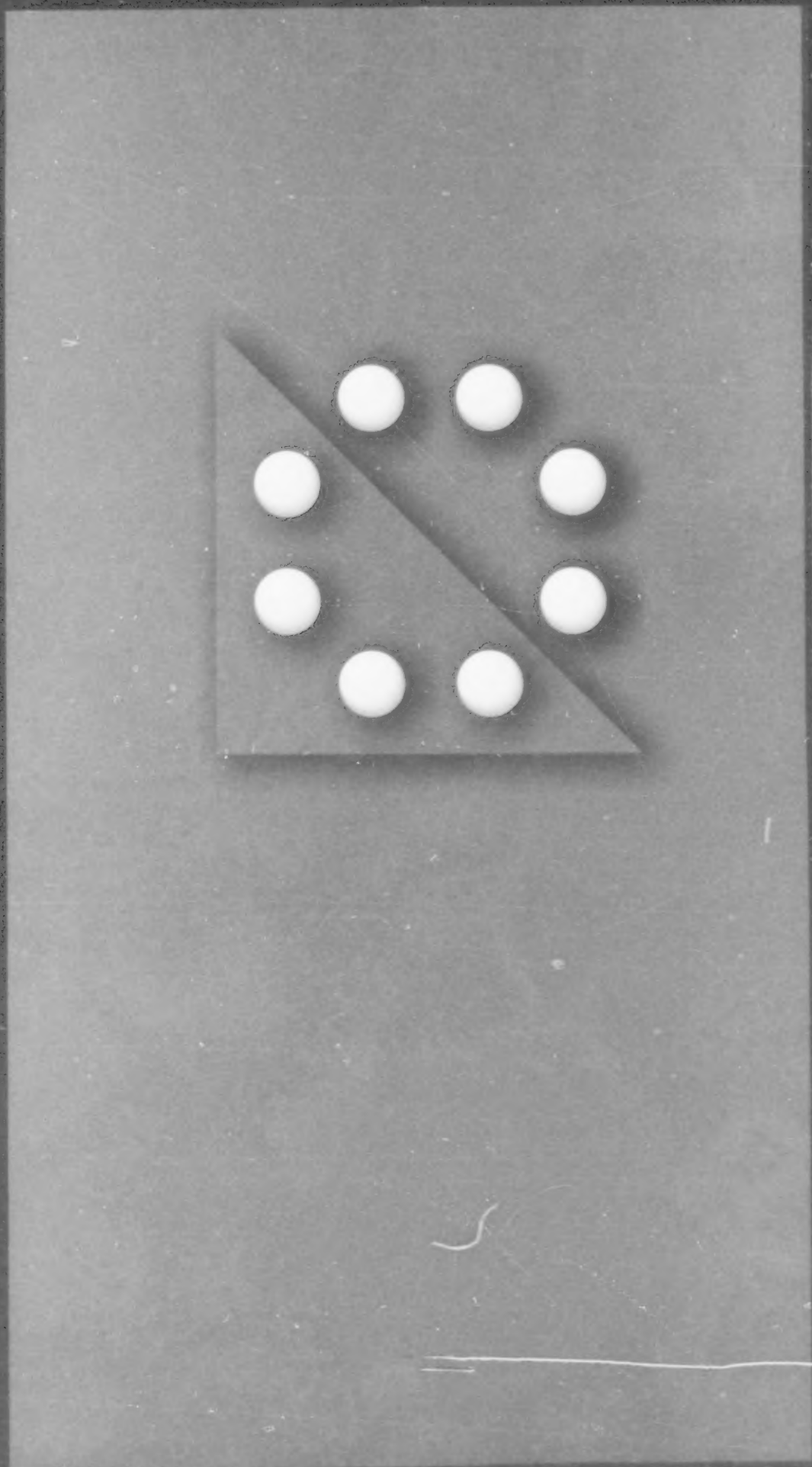

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